EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Wednesday June 6 1990

D 8523A

FOOTBALL
Ideal venue for the macho fantasy
Page 19

World News

...hnic rioting ...upts in ...viet ...rghizia

...cond day of clashes ...een ethnic Uzbeks and ...izians in the Soviet cen... ...sian town of Osh left at ...11 dead and more than ...njured.
...Monday, police fired into ...owd of ethnic Uzbeks who ...raged through the town, ...ing houses and trying to ...n the police station. ...3

...uiry welcomed

...um has given a cautious ...me to a Zairean parlia... ...ary inquiry into allega... ...that President Mobutu's ...s murdered student dem... ...ators last month, but is ...maintaining pressure for ...ternational investigation. ...6

...ce talks stumble

...odia's warring factions ...to make real progress ...ds a settlement at the ...f two days of Japanese-...ored peace talks in ...). Page 6

...ta seeks EC link

...is to apply formally for ...membership of the Euro... ...Community next month. ...uling National Party has ...mously endorsed the gov... ...ent's decision to apply. ...2

...ke hits Brussels

...sands of travellers were ...randed at Belgium's Zav... ...Airport near Brussels ...air traffic controllers ...to demand higher pay ...more trained staff.

...sidents meet

...ent Roh Tae Woo of ...Korea, optimistic that ...eeting with Soviet Presi... ...Mikhail Gorbachev would ...ually lead to the reunifi... ...of Korea, arrived in ...ngton to report on his ...ng with President George ...Page 20; A new relation... ...Page 6.

...ke rattles Tokyo

...was hit by an earth... ...measuring 5.3 on the ...nded Richter scale, but ...were no immediate ...s of damage, Japan's ...al Meteorological Agency

...g Olav recovers

...ay's King Olav, 86, the ...s oldest reigning mon... ...nd a symbol of Norwe... ...esistance to the Nazis ...rld War Two, has recov... ...lightly from pneumonia ...stroke which half para... ...his body.

...la clash kills 98

...a said its forces killed ...ta rebels in a battle last ...in the southern prov... ...Cuando Cubango, one ...main zones of fighting ...n government forces ...bels.

...cow' pledge

...uropean Community's ...culture official, Ray ...arry, pledged to take ...and West Germany to ...o reverse a ban on Brit... ...f imports. EC may ...Page 11

...driver held

...ohnston, the driver of ...iday coach which ...d in France killing 11 ..., will probably be ...d today with involun... ...urder, the French prose... ...aid.

...s gunned down

...shot to death 13 sus... ...Sikh extremists and ...22 others were killed ...newed bout of separatist ...e in the northern India ...Punjab.

...ry pushes east

...International, once con... ...l and barred by Commu... ...vernments as subver... ...d an agent of capitalist ...ation, opened its first ...the Soviet Union.

Business Summary

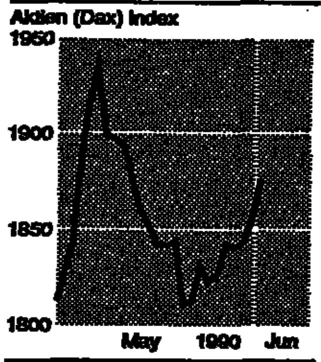
London property shares tumble

Great Portland Estates, one of Britain's largest property companies, sent property shares tumbling after it announced the value of its City of London office investments had fallen by more than a sixth. The company blamed over-development in the City, which had led to too few tenants chasing too many buildings. The group's share price fell 33p to 241p, as the market value of some of Britain's biggest property companies were reduced by hundreds of millions of pounds. Page 21; Analysis, Page 22, Lex, Page 20

MARKETS: Frankfurt got off to a good start but prices

W.Germany

Aktien (Dax) Index



retreated by midsession. DAX index, which peaked at 1,881.73, closed only 19.74 better at 1,876.69. In the US, Dow Jones Industrial Average was 3.88 down at 2,931.31 at 2 pm. In Tokyo, share prices soon lost steam after a firm start. The Nikkei average closed at 32,921.62, Back page, Section II. In London, the FT-SE Index swayed widely during the day to finish with a net gain of 1.1 at 2,380.1. London Stock Exchange, Page 35

ACT, formerly Apricot, UK computing services company, is negotiating with Mitsubishi Electric of Japan over providing computer services across Europe. Page 10

JAPAN is confident that US and EC dispute over farm trade has increased the probability that Japan's rice market will not be liberalised. Page 3

SKANDINAVISKA Enskilda Banken, Swedish leading commercial banks, purchased for £152.7m ($255.4m) all the shares in Scandinavian Bank Group, London-based consortium bank. Page 21

ROMANIA should devalue its currency by half within three months as a first step towards full convertibility within 18 months, Mr Adrian Severin, the Secretary of State for Privatisation, said. Page 2

RAUMA-REPOLA, Finnish engineering and forest group, and United Paper Mills (UPM), Finnish forest company, planned merger is set to go ahead. Page 21

NEGRONI, Italian leader in high quality pork meat products, was taken over by Kraft General Foods, US multinational. Page 22

SOVIET parliament passed what is effectively the country's first corporate taxation law. Page 3

TOMKINS, UK industrial conglomerate, announced plans to acquire Philips Industries, Ohio-based industrial company, for $550m. Page 21

ADOLPH COORS, third biggest US brewing company, said it would buy a Memphis brewery from Stroh Brewing company. Page 24

ARGENTINA'S inflation rose to 15.2 per cent in May against 11.4 per cent in April, despite government hopes of cutting the monthly figure to single figures. Page 7

INDIA'S 1989-90 trade deficit rose a marginal 4.3 per cent in rupee terms but declined by 9.3 per cent in dollar terms, to $4.6bn from $5.1bn a year earlier. Page 6

Managers plan commodities exchange for Moscow

By Quentin Peel in Moscow

IN A modest Soviet apartment in the heart of one of the massive Stalinist skyscrapers overlooking the Moscow river, the first tentative plans are being laid for the recreation of a Moscow Commodity Exchange, and eventually, a Moscow Stock Exchange.

Behind the project is the most unlikely combination of Soviet organisations ranging from the Moscow city department for material and equipment supplies to the Soviet-Yugoslav-Italian joint venture for refurbishing old buildings.

Yet their idea has now won the backing of Moscow's newly elected, radical city council and has a good prospect of becoming reality by the end of the summer. It is certainly not going to be a commodity exchange as anyone in the west would imagine it. It sounds more like a barter bazaar for state enterprises.

The first inspiration came from a combination of aggressive young managers and construction co-operatives, desperate to find reliable sources of building materials and equipment. Now the plan is to expand the project to cover any commodity a Soviet manufacturer may require.

From modest beginnings, the founders are convinced they can re-create a real market in Moscow. The best thing going for the plan is necessity: across the country, Soviet enterprises are in dire straits because the country's centralised, planned distribution system is collapsing. Raw material and equipment supplies are subject to chronic delays, if they are obtainable at all.

The vision behind the re-creation of the Moscow Commodity Exchange, closed by the Soviet Government in 1924, is to give enterprises of all sorts a market to exchange goods of any kind in multiple bartering arrangements, with the mediation of commodity brokers.

The trouble is, there are no brokers. "Enterprises all over the country have products, but the problem is no one wants roubles these days," says Mr Yuri Kaplan, chief engineer of the Voltek joint venture, and one of the planning team. "At the same time they cannot get their supplies. So they wish to exchange their products. All we have so far is a team of 12, and one table to work around. But MosSoviet (the city council) has reacted very quickly."

Mr Gennady Poleshuk, director of Voltek, and the main inspiration has already flown to New York to look at the NYSE. He is convinced that from the modest beginnings of a commodity exchange, a future Soviet securities market could be built.

Nato unimpressed by Soviet promise to cut more arms

By Hilary Barnes in Copenhagen and Robert Mauthner in London

THE Soviet Union yesterday announced further unilateral reductions in its nuclear forces in Europe, in a move that is clearly intended to influence this week's meeting in Scotland of Nato foreign ministers on the alliance's future role.

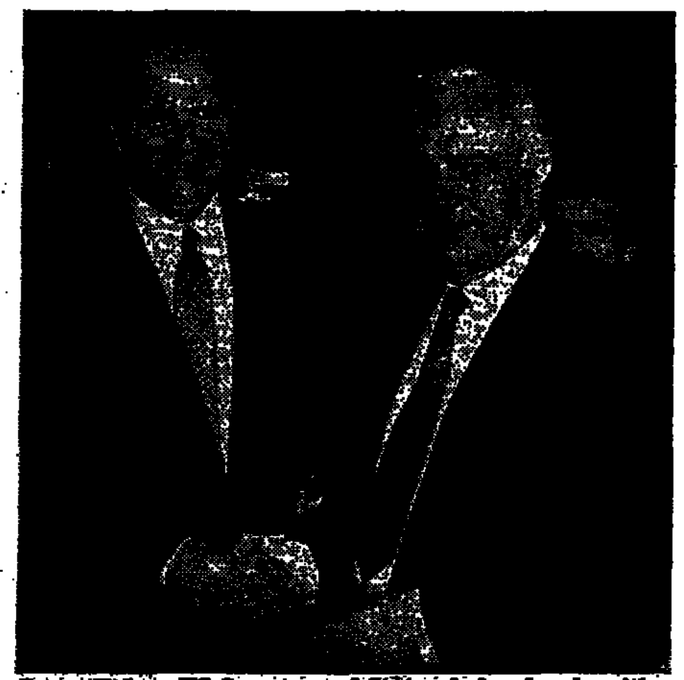
Fresh from the US-Soviet summit in Washington, Mr Eduard Shevardnadze, Soviet Foreign Minister, said the Soviet Union would reduce its forces in central Europe by 60 tactical rocket launchers, more than 250 nuclear artillery pieces and a total of 1,500 nuclear warheads.

However, the announcement, made at the start in Copenhagen of a human rights meeting of the 35-nation Conference on Security and Co-operation in Europe (CSCE), failed to impress Nato ministers. Mr James Baker, US Secretary of State, said it was not clear whether the cuts were new or merely the implementation of reductions already announced.

A spokesman for the western alliance in Brussels described the Soviet move as no more than "a small step" towards the reduction of Moscow's huge tactical nuclear arsenal in Europe.

Mr Shevardnadze, however, said that by the end of the year, the Soviet Union would have cut 140 rocket launchers and 3,200 nuclear guns.

The Soviet Union is not alone in making unilateral cuts in nuclear weapons. Over the past decade or so, Nato has withdrawn more than 2,400 nuclear warheads from Europe and, at its last ministerial meeting, agreed not to modernise its short-range Lance



James Baker, US Secretary of State, shakes hands with Eduard Shevardnadze, Soviet Foreign Minister

nuclear missile or its nuclear artillery.

Foreign ministers also agreed at that meeting that Nato would open negotiations on reducing its short-range nuclear forces in Europe as soon as an accord was reached in Vienna with the Soviet Union and other Warsaw Pact members on mutual reductions in conventional forces.

At their meeting later this week in Turnberry, Scotland, Nato foreign ministers are due to discuss ways of transforming the alliance from mainly a military defence organisation into a more politically-oriented forum. It is hoped that such a modification of Nato's role, in conjunction with an enhanced political and security role for the CSCE, which embraces both western and eastern Europe, will offer the kind of assurances Moscow has been seeking on German unification.

Continued on Page 20

Bonn ponders nuclear trade-off; Nato's cautious welcome, Page 3

Greyhound seeks court protection from creditors

By Roderick Oram in New York

GREYHOUND LINES, the US long-distance bus operator, has sought the protection of the bankruptcy court to prevent lessors repossessing some of its buses, a move which would undermine its efforts to maintain services across the country in the face of a long, violent drivers' strike.

The company has filed for Chapter 11 status in a Texas court to thwart a potential "run on assets" by some of its creditors, said Mr Mike Doyle, Greyhound's chief financial officer.

Most creditors were co-operating with Greyhound's efforts to restructure its finances, but owners of some of the 2,000 buses that the company leases had threatened to seize the vehicles, he said.

Greyhound owns an additional 1,800 buses, but the loss of some of its leased equipment "would have crippled our ability to operate," Mr Doyle added.

The finances of the Dallas company have deteriorated rapidly since its drivers went on strike in early March. Although it has used newly hired drivers to rebuild passenger volume to about 75 per cent of pre-strike levels, the company is operating in the red.

It has already missed a $9.8m interest payment on one of its junk bond issues and it is about $10m behind in lease payments on some buses and properties.

GLI Holding, Greyhound Lines' parent company, has been burdened by some $800m of debt and leases since it was the object of a leveraged buy-out in 1987.

The purchaser was a group of investors led by Mr Fred Currey, a former executive of Trailways, a rival bus line which Greyhound subsequently bought.

In addition to Greyhound Lines, several other GLI subsidiaries also filed for Chapter 11 protection, including Eagle Bus Manufacturing, which builds the company's vehicles.

Greyhound said it was confident it could secure fresh bank finance to keep it running during its peak summer season.

It also still hopes to raise cash to buy back for $86m debt with a face value of $191m. Holders of the publicly traded notes are unhappy with the offer which the company made two weeks ago and are far from sure it can finance the tender offer.

Since buying Greyhound, Mr Currey and his new management team have pushed through big changes in the company's operations. Traffic recovered last year to 7.5bn passenger miles from a low point of 6.09bn in 1986, allowing the company to break even after several years of losses.

The company proposed only modest pay increases and new working conditions in contract negotiations during the winter with the Amalgamated Transit Union. Some 9,300 employees rejected the offer and went on strike on March 2.

Mechanics and office staff quickly returned to work while all but about 500 of its 6,300 drivers have remained on strike.

The company claims strikers have shot at 52 buses, made more than 100 bomb threats and perpetrated acts of arson and vandalism. Extra security measures have cost it about $50m since the strike began, Greyhound says.

Going flat out to pump up Firestone, Page 21

Japan may double existing number of N-plants

By Robert Thomson in Tokyo

JAPAN will have to double its present number of nuclear power stations to 78 over the next two decades it is to meet the expected growth in demand for energy and at the same time stabilise carbon dioxide emissions.

This conclusion in a Ministry of International Trade and Industry (Miti) study is likely to be controversial in a country where anti-nuclear sentiment is strong.

Japan has firm plans to build 16 more stations in the next decade, but some of those projects are already in doubt because of the strength of the anti-nuclear movement which has forced changes in plans for several plants.

Any further expansion will also be hindered by a lack of suitable sites.

However, yesterday's Miti report suggests that emissions will only be stabilised early on in the next century if another 40 nuclear power stations are built by 2010, more than doubling the present number of 38 plants.

In the wake of the Chernobyl nuclear accident in 1986 in the Soviet Republic of the Ukraine, plans for building new nuclear power generating capacity have been cancelled in many countries.

The only two countries planning a significant expansion of nuclear power generation are Belgium and Japan.

Other countries, particularly France, which generates about 70 per cent of its electricity from nuclear plants, have largely completed their nuclear power programmes.

The Miti report suggested that energy consumption

Continued on Page 20

Martens puts the boot in to Belgium's flat-footed police

By Lucy Kellaway in Brussels

THE Belgian police force has been charged with inefficiency, corruption and infighting, and sentenced to a more streamlined, accountable and efficient future.

Wholesale reform of the 36,000-strong force was announced yesterday by Mr Wilfried Martens, the Belgium Prime Minister, in the hope that in the future the Belgian police would stop squabbling among themselves and start catching criminals.

On the eve of the announcement Mr Albert Raes, the head of the secret police – which were recently described as "useless" by Mr Louis Tobback, the Interior Minister – handed in his resignation. In the future, Mr Martens said, the secret police are to would become more accountable to the Justice Department and are to be subject to greater external control.

Meanwhile, the heavily armed gendarmerie are to be stripped of some of their military powers. This follows an ugly event last month when a girl was killed by a police bullet during a demonstration. over the closure of PRB, the nearly bankrupt Belgian munitions business that was involved in the Iraq supergun affair.

Further measures are to be introduced so that the three main branches of the police – the gendarmerie, communal and secret police forces – co-operate with each other and co-ordinate their actions with the local town councils.

The upheaval in the police service is in response to a damning report prepared by a parliamentary commission in which it was alleged that the police may have been embroiled in a series of supermarket killings in the 1980s, for which the killers have never been found. It also showed that only one in five criminals is ever caught.

Mr Martens' proposals were immediately criticised yesterday by the French-speaking liberals as not going nearly far enough.

They argued that curbing the military might of the gendarmerie was ineffective, as that was the only part of the force that operated efficiently. They complained that 10 laws would have to be modified to put the reform into place.

The new sharing of responsibility for the forces and the creation of new supervisory bodies would add to, rather than reduce, the confusion, they said, making police actions even less transparent.

The police did, however, score one small triumph yesterday thanks to an ex-KGB representative in Brussels who has recently fled the Soviet Union to the US, where he has been naming names.

He named one of his informants he said, as a bureaucrat working inside the European Commission. However, the Commission played down the affair yesterday, saying that the named man had had only the most banal contacts with the defected KGB agent.

The Belgian police may feel that this justifies one of their more bizarre rules, under which eastern bloc embassies are permitted in Brussels, but are only allowed three officials.

...NTENTS

Korea opens another crack in the cold war ice

This week's meeting between South Korean president Roh Tae Woo (left) and Soviet leader Mikhail Gorbachev is the clearest evidence so far of shifting superpower interests on the Korean peninsula

Page 20

MARKETS

STERLING
New York close
$1.687 (1.6805)
London:
$1.684 (1.6755)
DM2.8475 (2.8375)
FFr9.6 (9.555)
SFr2.4175 (2.41)
Y257.0 (255.75)
£ index (88.9)

GOLD
New York: Comex Aug
$363.6 (362.4)
London:
$358.75 (356.25)

N SEA OIL (Argus)
Brent 15-day Jul
$15.625 (16.25)

Chief price changes yesterday: Page 21

DOLLAR
New York close
DM1.6857 (1.6877)
FFr5.682 (5.686)
SFr1.4285 (1.432)
Y152.45 (152.45)
London:
DM1.6905 (1.6935)
FFr5.7 (5.7025)
SFr1.435 (1.4385)
Y152.6 (same)
$ index 67.8 (67.9)
Tokyo close: Y152.43

US lunchtime rates
Fed Funds $8\frac{1}{4}$%
3-mo Treasury Bills:
yield: 7.941%
Long Bond:
$103\frac{7}{16}$
yield: 8.427%

STOCK INDICES
FT-SE 100:
2,380.1 (+1.1)
FT Ordinary:
1,893.9 (+0.5)
FT-A All-Share:
1,168.79 (same)
New York close
DJ Ind. Av.
2,925.00 (−10.19)
S&P Comp
365.81 (−0.59)
Tokyo: Nikkei
32,921.62 (−3.75)

LONDON MONEY
3-month interbank:
closing $15\frac{3}{32}$% ($15\frac{1}{32}$)
Liffe long gilt future:
Sep $84\frac{5}{32}$ ($84\frac{13}{32}$)

Romania urged to seek early convertibility

By Owen Bennett Jones in Bucharest

ROMANIA should devalue its currency by half within three months as a first step towards full convertibility within 18 months, Mr Adrian Severin, the Secretary of State for Privatisation, said yesterday.

In a strong indication of the Government's commitment to a radical overhaul of the economic system, the minister said convertibility should be a means of revising the Romanian economy rather than just a goal to be reached after economic revival.

Mr Severin, who is emerging as a champion of radical economic reform in the Government, says bureaucratic resistance to change will have to be faced head-on.

"The state sector will simply have to get used to competition," said Mr Severin. He claimed that Mr Petre Roman, who is expected to keep his job of Prime Minister in the new Government, supported him in rejecting a timid approach to privatisation.

The National Salvation Front, victors in Romania's first free elections for over 40 years, has always pledged its commitment to the introduction of a market economy in Romania.

But in the last days of the election campaign, Mr Ion Iliescu, the Front's leader and now the president-elect, said he did not want to take undue risks during a transition period to the market economy for fear of creating "social problems". This was an attempt to attract the votes of Romania's industrial workforce, which fears that privatisation could lead to unemployment.

But Mr Severin argued that Romania would have to put up with unemployment and inflation as the price of achieving a market economy.

In the first instance the Government will try to foster a private sector in small and medium-size enterprises. At the same time the administrative structures managing Romania's big enterprises will be dismantled. Economic decision-making and perhaps also ownership will then be transferred to the level of the production units.

Mr Severin defended the foreign investment regime that the interim government has already put in place.

Malta to seek EC membership

By Stephen McGookin in Valetta

MALTA will apply formally for full membership of the European Community next month. A special meeting of the General Council of the ruling National Party has unanimously endorsed the government's decision to apply.

However, the leader of the opposition Labour Party, Dr Karmenu Mifsud Bonnici, claimed this week that the Government's application meant a surrender of Malta's sovereignty and was motivated by a nationalist dream of integrating the island with Italy.

Dr Eddie Fenec Adami, the Prime Minister, said he had confidence in Malta's ability to meet the challenges of membership.

"The EC we want to join is the Europe of Christian values, of liberty, of spirituality," he said.

Guest speaker at the National Party Council, Mr Kai-Uwe von Hassel, vice president of the European Union of Christian Democrats, welcomed the decision and said none of the EC's member states would be unhappy with Malta's joining, despite the difficult process of integration.

Bulgaria's ecologists hope to clean up in poll

By Judy Dempsey in Sofia

WHEN a north wind blows across the Danube towards the old Habsburg merchant city of Ruse, in northern Bulgaria, the locals still hold their breath.

They well remember when chloride fumes from a chemical factory in Giorgiu, in Romania, used to waft across the Danube and hang over this city.

Mothers used to place handkerchiefs over their children's mouths. Many of the children had respiratory problems. If parents dared complain, the local Communist Party turned a blind eye. They didn't want to know about the appalling environmental problems, which were compounded by the rapid and careless industrialisation of Ruse. Discussion of "green" issues was taboo.

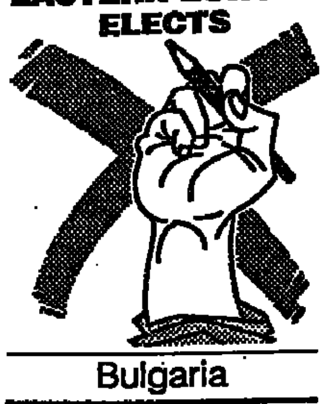
It was Eco-Glasnost, the country's first independent environmental and dissident group, which broke the silence in 1988 by setting up the Ruse Committee, a group of intellectuals who railed against the devastation of the country's natural resources.

Their actions cost them their jobs. Two years on, many people in Ruse are likely to vote for Eco-Glasnost, which is standing on the platform of the UDF (Union of Democratic Forces), which groups 16 political parties.

"Eco-Glasnost were the first to take the environment seriously," says Mr Ivan Stojanov, a retired engineer. "We need them to save the health of our children and our land."

Studies drawn up by Eco-Glasnost and the UDF on the state of the environment make grim reading. Emissions of sulphur dioxide, for instance, total 1.75m tons a year.

EASTERN EUROPE ELECTS



Bulgaria

"The prospects are bleak that the country can meet its undertaking to reduce that figure by 30 per cent by 1993 which all other European countries will do," according to a UDF document.

The extraction industry has damaged the environment too.

More than 300 square kilometres of arable land have been deemed unusable after the extraction of zinc at the Plovdiv mines, north-east of Sofia. The UDF document retails a sad litany of dangerously high lead content in children's blood, arsenic-polluted water in the Topolnitsa Dam and, as a result, arsenic-polluted fields.

Industrialisation has also affected arable land. Mr Pirin Vodenicharov, of Eco-Glasnost, recently reported that 4.7m hectares of arable land, about 44 per cent of the country's territory, was eroded, polluted or destroyed because 68m tonnes of dust and toxic gases are emitted annually.

The question is how the UDF can tackle the environment over the next few years. Its election programme includes building smoke treatment installations at thermal power stations; reducing energy intensive industries, and a shift from low- to high-quality steel production; holding a public debate on whether to continue uranium extraction, involving injecting sulphuric acid into the ground; introducing catalytic converters, and abolishing tax levies on the use of propane gas as car fuel.

Raising the money for its programme is something to which the UDF has not yet set its mind. But regardless of the cost, the UDF and the younger generation of Bulgarians now believe that unless action is taken, the country's health and resources will be permanently damaged.

Peasants party sees promising electoral harvest

BULGARIA's Agrarian National Union (BZNS), controlled by the communists since the 1950s but now an independent party, may well upset the pundits on Sunday when the country goes to the polls, writes Judy Dempsey in Sofia.

The BZNS, founded in 1900, and inspired by the ideals of Alexander Stamboliski, leader of the Peasant Union and Prime Minister from 1919 to 1923, when he was overthrown in an army coup, hopes to gain 15 per cent of the votes.

"Most of the peasants will vote for us," says Mr Ivan Glushkov, the party's dapper, French-speaking spokesman.

Mr Glushkov, who sports the green clover emblem of the BZNS, says that the most difficult part of the campaign was convincing the peasants, who make up 28 per cent of Bulgaria's 9m population, that the party had broken with the communists.

"Naturally, people are still sceptical. But we will not join a coalition with the communists. We would however join if the coalition included the Union of Democratic Forces [the umbrella under which 16 political parties are grouped]," he says.

The BZNS promises peasants the right to own their land, a return of land confiscated by the communists during the forced collectivisation of the 1950s, and an increase in permitted land holdings from the miserable tenth of a hectare. However, the party will not allow "speculators" to buy large tracts of land.

"For years, the communists spent money on industrialisation at the expense of agriculture," says Mr Glushkov. "We have to reverse this policy. Agriculture must once again become the backbone of the economy."

The BZNS boasts a membership of 120,000 although it could be more. Since the 1950s, this was the maximum allowed by the communists who suffocated the party's independence.

Greece takes its head out of the diplomatic sands

New prime minister Constantine Mitsotakis is rebuilding foreign relationships, reports **Kerin Hope**

THE arrival of Mr Constantine Mitsotakis, the conservative Greek Prime Minister, at the White House today is likely to be greeted with little ceremony, but it will be a historic occasion none the less. The last time a Greek leader visited Washington was 27 years ago.

Mr Mitsotakis, whose New Democracy party won the April election by a hair's breadth, has already made a swing through European Community capitals, emphasising that Greece will be a more co-operative partner in the run-up to the single market.

His trip to the US is intended to set the seal on what a New Democracy official called the country's "rehabilitation abroad" after a year of ineffectual coalition government and a long period of Socialist rule in which anti-western rhetoric featured prominently and Greece boycotted Nato exercises because of bilateral disputes with Turkey.

"There had been a feeling that Greece was in an ostrich position, postponing awkward decisions and ignoring economic realities," said a Greek analyst. "It's important for the Government to demonstrate that it's pulling its head out of the sand."

New Democracy has already reached agreement on a new US bases pact, helped by the fact that the Americans decided this year to close two of the four bases in Greece under a programme of worldwide defence cuts.

The accord calls for transferring operations handled by the two US facilities near Athens to an air force base at Gournes and a navy support installation at Souday Bay, both in Crete. Although the agreement is for eight years rather than the 12 requested by the American side, Greek officials believe it may still be the last formal Greek-US defence pact to be signed, given the changing role of Nato as the threat from the Warsaw Pact declines.

Greece is understood to be in line to receive a substantial amount of US military equipment second-hand, which would help maintain the balance of power with Turkey, its rival for control of the Aegean Sea.

However, it will be up to Congress rather than the US administration to keep the 7-to-10 ratio in military aid to Greece and Turkey. At present Greece receives almost \$350m in US military aid, which serves in lieu of rent for the bases, and the administration has already requested \$345.5m in aid for fiscal 1991.

Leftwing Greek reaction to the accord has been muted, although Socialists and Communists on Crete have voiced concern that the island's increased strategic importance could make it a possible target in case of a Middle East conflict. Such anxieties may have been triggered by a recent claim by Col Muammar Gadaffi, the Libyan leader, that he had planned a missile attack against Crete after the American bombing of Tripoli in 1986, but decided to call it off.

New Democracy also extended full diplomatic recognition to Israel, fulfilling a pledge made by the Socialists which was shelved after the outbreak of the Palestinian uprising on the West Bank.

Greece was the only EC country that did not have normal relations with Israel. The recognition is expected to have a beneficial effect on US relations as well as on prospects for increasing US tourism to Greece.

However, Mr Mitsotakis will come under US pressure to make a firm commitment on extraditing a suspected Palestinian terrorist held in Greece for almost two years. The Palestinian, Mr Mohammed

Mitsotakis: more co-operative

Rashid, is wanted in the US in connection with the mid-air bombing of a Pan American passenger jet over Hawaii in 1982.

Greek courts have approved an American extradition request but the final decision is a political one. There has been speculation that the Government might prefer to hold a trial in Greece rather than go through with extradition.

Mr Mitsotakis has said the Rashid affair is not among the Government's priorities. But, as a European diplomat put it, successful rebuilding of Greek relationships abroad "depends to a certain extent on showing readiness to co-operate fully when it comes to dealing with terrorism."

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Bonn ponders nuclear trade-off with Moscow

avid Goodhart in Bonn

T GERMAN defence ials believe the Soviet n might accept a united many as part of Nato pro- no nuclear weapons were oned in the country.

h a concession would not welcomed by the Defence stry, but contingency are being drawn up to nmodate it. One official ed out that Mr Gerhard enberg, Defence Minister, eferred in recent speeches to the danger of denu- ising Europe, and has erately avoided reference enuclearising Germany

ewhere in Bonn the possi- of all nuclear weapons g German soil as part of tructuring of Nato is not yet discussed openly, outside the opposition Social Democrats. The Foreign Ministry holds it to be "imaginable, although not a current issue" and Christian Democrat security experts do not rule it out but fear a hostile reaction from the British and Americans.

Mr Karl Lamers, the Christian Democrat disarmament spokesman, said he rejected a straightforward denuclearisation; but a deal which allowed continuing German participation in nuclear-armed Nato strike forces outside Germany would probably be acceptable to the coalition. "The important thing is that we are not completely cut off from Nato's nuclear capability," he said.

Defence Ministry officials also stress that denuclearisation is only thinkable if Germany continues to enjoy Nato's nuclear protection and participates in some form in nuclear planning. Nato officials are believed to be examining the possibility of a multinational nuclear airforce, including the Germans, to be based probably in Britain.

If the Soviets were to make denuclearisation an issue in the Two-plus-four discussions over German unity it would be likely at first to split the Bonn coalition. It would be strongly resisted by Britain and, less fiercely, by the US which has always maintained that US troops must have direct nuclear back-up.

But overwhelming support would come from the people in both German states, the East German Government, and the governments of several other east European states.

The Soviet Union might also ask Nato for a "no first use" agreement for nuclear weapons as a further condition of German Nato membership, a move which would also find considerable support in Germany.

The same officials believe that foreign troops in Germany can be cut back radically but that an important symbolic core of 50,000 to 80,000 US troops will remain.

Currently on West German soil are short-range nuclear missiles and nuclear artillery, which will not now be modernised.


Gerhard Stoltenberg: danger of nuclear-free Europe

Brittan sets date for Rover ruling

By Lucy Kellaway in Brussels

SIR Leon Brittan, the European Competition Commissioner, is to deliver on June 20 his long-awaited verdict on sweeteners paid by the UK Government to British Aerospace at the time of its 1988 takeover of Rover.

The commission is expected to demand that almost all the £38m of sweeteners be repaid and that BAe compensate for having paid too little for the state-owned car group.

The verdict will trigger the release of reports being prepared by the UK Department of Trade and Industry Select Committee and the Public Accounts Committee, both of which are expected to be highly critical of the British Government's handling of the Rover sale.

The lengthy delay in reaching a decision – which has been pending since the beginning of the year – is due to the complexity of establishing how large the undervaluation of Rover was.

A report by the National Audit Office said the £150m that BAe paid for the company was "substantially" too low. According to Baring, the UK merchant bank, a rival offer was made worth about £250m more.

The commission has insisted its decision will be final and that there will be no horse-trading with the UK Government, despite a climbdown by Sir Leon last month over illegal state aid paid by the French Government to Renault, the state car company.

Faced with a refusal by France to repay the FFr8.4bn (£879m) prescribed by the commission competition services, a lower total of FFr6bn was agreed.

Moscow enacts first corporate tax law

By Leyla Boulton in Moscow

THE Soviet parliament yesterday passed at first reading what is in effect the country's first corporate taxation law.

Supreme Soviet deputies set a basic tax rate of 45 per cent for enterprises, after throwing out the Government's original proposal for a higher rate of 55 per cent.

While the Government had argued that it needed the higher rate to finance social expenditure already approved by parliament, critics said this would hurt moves to create a market economy.

Deputies led by a Moscow economist, Mr Viktor Yaroshenko, urged the Government instead to balance its books by privatising state property and cutting military expenditure.

Soviet enterprises have hitherto been taxed on a random basis, with some "contributing" huge chunks of their revenue to ministries and others paying hardly any tax at all.

One government economist said the law was the only economic reform so far which could yield practical benefits immediately. But he feared it would fail to obtain a quorum at a second reading next Wednesday and Thursday.

"If this law does not get passed next week, our enterprises will not know their tax rates for next year until December," he said.

Parliament has been forced to extend its session into next week because of the mass of legislation still to be approved before the summer break.

It has put off until Tuesday a crucial debate on the Government's controversial plans for steep price rises.

French insider trading conviction

eorge Graham in Paris

ICH financial market ators have achieved a success in their fight to up the stock market, he conviction of a banker sider trading.

Philippe Béjot, a former or of the Banque Privée stion Financière and dep- anaging director of Bantern, was fined FFr200,000 70) and given a suspended sentence of 15 months.

Béjot has appealed st the judgment. The sentence will, in any case, be covered by a 1988 presidential amnesty.

The conviction is not the first for insider trading in France, but successful prosecutions are still highly unusual, and the fine is regarded by regulators as uncommonly severe. Market inspectors have found it nearly impossible to convince judges that insider trading is really a crime.

The court found that Mr Béjot had directly inspired Unigestion, a Geneva-based investment company, to buy shares in Société Générale d'Entreprise Sainrapt et Brice (SGE-SB) shortly before it was bought in 1983 by St Gobain glass and materials group, making a profit of FFr308,000 and compelling St Gobain to pay more for its acquisition.

Mr Béjot was at the time negotiating to join Banque Stern, which was advising on the deal.

The case took seven years to come to judgment, but regulators say the courts have now accelerated their processes.

Nato's cautious welcome for Soviet missile cuts

By David White, Defence Correspondent

NATO officials gave a reserved welcome to yesterday's announcement of further unilateral cuts in the Soviet Union's short-range nuclear arms deployed in Europe.

Although Nato has repeatedly called for unilateral cuts, the reductions announced in Copenhagen by Mr Eduard Shevardnadze, the Soviet Foreign Minister, are not calculated to solve any of the western alliance's problems.

On one hand, the withdrawal of 60 more missile launchers still leaves the Soviet Union with a numerical superiority in this category of weapon.

On the other, the impact of the announcement may exacerbate continuing disagreements within Nato about the best way of proceeding with reductions in short-range nuclear forces (SNF).

Several Nato members want a unilateral withdrawal of US nuclear artillery shells deployed with Nato armies. The UK opposes this, preferring to wait for the US-Soviet negotiations on SNF next year.

US officials say Washington has "no clear view".

A Nato spokesman yesterday described the Soviet move, which includes 250 nuclear artillery pieces and 1,500 warheads, as "a small step". It followed an announcement in January last year involving 500 warheads.

Soviet units being withdrawn from East Germany, Czechoslovakia and Hungary were in any case expected to take their nuclear weapons with them.

Last month, Nato defence ministers called for "substantial" reductions on the Soviet side.

Experts estimate there are 1,300 Soviet launchers for short-range missiles in Europe.

Ethnic rioting in Soviet Kirghizia leave 11 dead

A SECOND day of clashes between ethnic Uzbeks and Kirghizians in the Soviet central Asian town of Osh yesterday left at least 11 dead and more than 200 injured, Reuter reports from Moscow.

On Monday, police fired into a crowd of ethnic Uzbeks who rampaged through the town, burning houses and trying to storm the police station.

The Uzbeks, a majority of the town's population, started rioting after a fierce argument with native Kirghizians over land allocation.

A state of emergency had been imposed on the town and six neighbouring districts.

The clashes are the latest in a wave of ethnic unrest which has swept through the Soviet Union's southern republics over the last two years, killing many hundreds.

Osh is on the fringe of the Fergana Valley, near the Chinese border, where more than 100 people died in ethnic clashes last summer.

● The Turkish Government confirmed yesterday it was considering plans to accept up to 5,000 Meskhetian Turks from the Soviet Union, writes Jim Bodgener in Ankara.

Mr Turgut Ozal, the Turkish President, favours the move, despite opposition from some who fear it may set a precedent in attracting other unsettled Turkic peoples from the Soviet Union's troubled central Asian republics.

Some 200,000 Meskhetian Turks live in Uzbekistan and Turkmenistan.

Brussels carton plan attacked

icy Kellaway in Brussels

EUROPEAN Commission sal setting compulsory for reusing beverage ners has been criticised anufacturers of cartons ing economically ineffi- environmentally unsound kely to hit consumption k and fruit juice.

proposal would require 0 per cent of all liquid ners were either recycled filled, with the aim of g packaging less environmentally wasteful.

Carton manufacturers argue that the directive fails to distinguish between different types of packaging, some of which are less damaging to the environment than others, and neglects any adverse effect that refilling or recycling may have on the envirnoment.

They also claim that the unrealistically high refilling/recyling rate will involve a shift to types of packaging that involve more damaging waste per litre.

Instead they suggest that the commission should opt for a more flexible system with targets set for how much waste should be generated per litre of liquid and how much energy used.

The Alliance for Beverage Cartons and the Environment has been lobbing member states and the European parliament to get the plan altered.

Italy defends Expo candidacy

hn Wyles in Rome

Italian Government day stood firm against international outcry t involving Venice in the sed Expo 2000 and reaf- 1 the city's candidacy er with that of the Ven- gion.

characteristically emot- statement to parliament, lio Andreotti, the Prime er, offered every possible ance that the city's historical and artistic nony, which he said gs to the whole world," be protected against the on of extreme numbers tors.

final word on the site of oposed world exhibition asses to the 45-nation International des Expo- (BIE) which meets in on June 14 to choose en Venice/Veneto, o and Hanover.

Most western European countries are expected to vote for Hanover, but it is thought that lobbying by the Italian foreign ministry, headed by the Venetian minister, Mr Gianni De Michelis, has won support from eastern Europe and Latin America.

At a three-hour inner cabinet meeting which finished at 1am yesterday, several ministers argued for withdrawing the Italian candidacy, especially in light of the recent vote of the European Parliament against involving Venice in the Expo.

The proposal sent to the BIE would locate most of the Expo's activities on the Veneto mainland, reserving Venice for a series of brainstorming conferences on global problems.

But one olive branch to international opinion which may well weaken the Venice case is that the Italian government would prefer to stage the Expo from January to April, instead of the March to June period which is in the official proposal.

The Veneto region is especially vulnerable to fog and low temperatures in the early part of the year which would be bound to affect attendance at any Expo.

Mr Andreotti told parliament that the backing of the Venice city council – which last year voted against Expo but has since been renewed by elections – was "indispensable."

If the project did go ahead, then the government would table all of then necessary proposals for executing it which would, at the same time, deal with the problems of managing tourist flows, pollution, defence against sea water and relocating industries.

EUROPEAN NEWS

Cross border television tests old standards

Jim Bodgener reports on the progress of Turkey's first independent satellite station

TURKISH television viewers have begun receiving test transmissions from the first all-Turkish independent station, Magic Box – but via satellite from West Germany.

Where once television and radio previously was tightly state controlled, Magic Box has raised all kinds of questions about cross border television broadcasting into Turkey.

In a country with a population of 55m, but a newspaper circulation of only some 4m, television is by far the most important popular media. According to the 1982 constitution, which was framed under military rule, only the state can own and operate television stations, to prevent the dissemination of undesirable influences such as communism and Islamic fundamentalism, not to mention pornographic or other unsuitable material.

But Magic Box, company officials stress, will not engage in controversial political or current affairs programmes, when full transmission starts in September.

It's own productions will be fairly harmless for the most part, like games and quiz shows – although it will broadcast party political broadcasts by those rich enough to pay. To some extent, the argument is academic, since owners of satellite dishes already receive about 10 channels from Europe, though admittedly not in Turkish.

Magic Box also has the implicit backing of President Turgut Ozal, who has come out publicly in favour of independent commercial television. His son, Mr Ahmet Ozal, is also deeply involved in the project.

Allegations of nepotism have been raised in the press, but not pursued strongly. One reason admitted by newspaper publishers is that Magic Box will incur the costs of trail blazing independent television in Turkey – three or four other schemes are in the offing, one planned by Turkish-Cypriot entrepreneur Mr Asil Nadir, another by the Sabah group of papers.

About 4.5m viewers have access to satellite dishes but this figure is expected to rise to about 20m by the end of the first year of operation.

Keen newspaper interest is partly explained by the fact that the press was the biggest sectoral advertiser with Turkish Radio and Television (TRT) in 1989, spending TL41bn ($15m), or 14 per cent of TRT's advertising revenues.

Magic Box is a subsidiary of the Uzan family's Rumeli Holding, with interests ranging from construction to banking, and now television. But the main company is registered in West Germany, with a representative office in Istanbul. This, claims Mr Uzan, means Magic Box is legally accountable in Turkey on the same basis as, for example, Eurosport or Cable Network News. The station will broadcast to Turkey for 90 hours each week through two transponders in Eutelsat, hired from the West German Bundespost.

In theory, Magic Box's audience will be limited to viewers with access to a satellite dish. About 4.5m viewers have access to satellite dishes ,but this figure will rise to about 20m at the end of the first year of operation, according to Mr Tuncer Toskay, the company's chairman, and a former head of TRT.

Others consider this too optimistic, although Magic Box has a scheme to supply the market with cheap dishes.

Much of its output will be foreign programmes dubbed in Turkish. Initially, a limited number of programmes is being produced at the SAT-1 television studios near Frankfurt, but there are also plans for a domestic production complex.

A large number of purchasing agreements have been entered into with makers like Warner Brothers, World Vision, and NBA Basketball.

But once broadcast into Turkey the programmes could be retransmitted by around 30 local pirate stations established by municipalities over which the Government is loath politically to exercise control. That would have implications for the viewer levels agreed in purchase contracts.

Although Mr Uzan said on Monday that the Government had directed the closure of the municipal pirates, TRT sources said some governors and local administrators entrusted with the task had failed to carry out the order as they too were retransmitting.

The Motion Pictures Export Association of America has already made strong representations to the Government about piracy by the municipalities, which it will sue as a last resort.

State television officials shrug off the threat posed by Magic Box, saying that their five channels outnumber those run by European counterparts.

In Ankara too, the posts, telegraphs and telecommunications (PTT) administration has included Magic Box on its cable network.

State television officials shrug off the threat posed by Magic Box, pointing out that their five channels already outnumber those operated by any of its European counterparts.

But Magic Box has scored one coup already over the state organisation, by signing up match broadcasting rights for Turkish first division football clubs for three years.

Magic Box has no restriction on its advertising to programme ratio, projected as 10-12 minutes as against TRT's seven minutes an hour. It can also broadcast beer and cigarette advertisements, banned on state television.

And it also plans to undercut TRT's rates, seeking to take over a substantial portion of TRT's annual advertisement income of around TL330bn annually.

The company is confident it will be able quickly to reach break-even with $45m – $50m from advertising.

While Turkey is opening up, TRT itself has gone out to sell itself to the world. Not only is it globally marketing its programmes dubbed into English to 52 countries, but it is also in the process of establishing cable networks all over Europe, especially in West Germany for the 1.8m Turkish expatriate minority there.

It recently received a license from West Germany, the first Bonn had approved for an external state television station. "TRT is seeking a change in the concept of broadcasting rights from territory to language," according to Sedat Orsel, its deputy head of television.

Kurdish guerrillas killed in clashes

FOUR suspected Kurdish guerrillas and three village guards were killed in clashes in eastern and south-eastern Turkey, the semi-official Anatolia News Agency said yesterday.

The dispatch, quoting the regional governor, said a guerrilla and two guards were killed in the Catak township of Van province, AP reports.

It said three guerrillas and two guards were killed in two clashes in the Mardin province near the Syrian border.

All three incidents took place late Monday or early Tuesday.

Guerrillas, most of whom belong to the Marxist Kurdish Labour Party, have been fighting for an independent homeland in south-eastern Turkey since 1984. So far more than 2,500 have died.

Swiss president to meet Ozal

President Arnold Koller of Switzerland will meet President Turgut Ozal in Ankara on Friday, the Turkish Foreign Ministry said yesterday, Reuter reports.

Mr Koller, who is also Minister of Justice, is attending a meeting of the European justice ministers in Istanbul.

Unemployment rises by 50%

UNEMPLOYMENT in East Germany rose by more than 50 per cent to over 100,000 in May, Reuter reports.

Ms Regine Hildebrandt, Labour and Social Affairs Minister, said that the number of people searching for work climbed from almost 65,000 at the end of April to just over 100,000 at the end of May.

She said about 35,000 were out of work at the end of March, shortly after East Germany's first free general election put its first non-communist government in office.

Joblessness was previously unknown or disguised in the state economy until Communist Party rule gave way to democracy and market economic forces in late 1989.

E German breweries may need 'marketing miracle'

By Leslie Colitt in East Berlin

IN a two-prong move to lock up the East German beer market, West German breweries have flooded East Germany with their pilsener while gaining control of the main East German beer producers.

Although East Germany is awash in locally produced beer, citizens have taken with a vengeance to downing aggressively sold West German brew. Restaurants are given low introductory prices in (East) Marks for the West German brands and supplied with free glasses and coasters. East German beer tastes as good as most non-West German brands but this is of little consolation to East German brewers.

They have cut corners for years, often using maize "pulp," plain barley instead of barley malt and adding sugar as is the wont of beermakers outside West Germany and Czechoslovakia.

The ancient German Reinheitsgebot (purity law) under which beer may only be brewed using barley malt, hop and water was largely observed for beers exported to West Germany. But the tarnished image of even the best East German beers such as Radeberger and Wernesgrüner meant they ended up being sold as cheap beers in West German supermarkets.

Locally brewed beers virtually disappeared in East Germany after the creation of the giant Drinks Kombinat which marketed beer under generic names such as Berliner Pilsener and Deutsches Pilsener.

Technically obsolescent East German breweries which produce high cost and marginal-quality beer would not appear to be a prime takeover target for West German beer producers who could quench East Germany's collective thirst from their own breweries. But they have recently moved in in force.

Brau und Brunnen, one of the largest West German drinks purveyors which owns Dortmunder Union and Schultheiss in West Berlin, signed a co-operation agreement with Kindl, Schultheiss and Engelhardt in East Berlin and is seeking a majority stake in them according to Mr Hans-Jürgen Giebson, Marketing Director of Schultheiss in West Berlin.

Brau und Brunnen was prepared to invest heavily to modernise the East German production facilities. East German breweries would have to reduce personnel and boost quality and then the "marketplace will decide" which of them survived. He suggested glumly, though, that it would be a "marketing miracle" if the image of East German beers in West Germany could be improved.

Binding-Brauerei, a subsidiary of the Oetker food group, moved in to sign co-operation agreements with Saxony's Radeberger and Krostitzer breweries, Bürgerbräu of East Berlin and Potsdamer Brauerei. It too is seeking control of its partners and intends to invest in new brewing equipment for Radeberger.

Mr Herbert Schmidt, head of Bürgerbräu said that East German breweries which have not reached co-operation agreements with West German producers were not viable.

Industry insiders, however, said it remained to be seen how much of East Germany's brewing capacity which has been committed to West German producers will have survived a few years from now.

We could cure most kinds of blindness with one simple injection.

Suppose you were to wake up tomorrow morning and find that you'd gone completely and irreversibly blind.

Suppose you were then told that your blindness could have been prevented, but for lack of cash.

How do you think you'd feel?

Exactly.

Yet that's the heartbreaking situation facing so many people of all ages in Britain today.

Despite the fact that this country leads the world in its treatment of blinding diseases.

Despite the fact that we're agonisingly close to major breakthroughs in the prevention and curing of such diseases.

There are still over a quarter of a million people registered blind or partially sighted in Britain.

And every day, another forty people swell this sad statistic.

So what can be done?

Well, with your help, an enormous amount.

Because in London, we're lucky enough to have two great institutions that have been in the forefront of the Fight For Sight for many years now.

Moorfields Eye Hospital on the City Road is world-famous for its success in the prevention and curing of blindness.

Every year, 300,000 out-patients are treated here and for many, Moorfields has been a last resort.

Surgical techniques that are now standard throughout the world were first pioneered here.

People whose blindness was once considered untreatable are now being given fresh hope by the new ideas and advances practised at Moorfields.

But where do these ideas come from?

Three miles away across London in Judd Street, a battered sign on a crumbling Victorian building identifies the home of the Institute of Ophthalmology. This is the research arm of Moorfields Hospital and it too is world-famous.

It was here that the connection was first made between excess oxygen at birth and the incidence of blindness in premature babies.

It was here that scientists discovered that the puppy dog worm, toxocara canis, was blinding young children.

It was here that the first diode 'suitcase' laser was invented, allowing laser treatment in the field.

It was here that the idea of implanting plastic lenses after cataract operations was pioneered, along with many other of the surgical techniques now used at Moorfields.

And it's here that the problem lies.

For if the building is Victorian, the conditions inside are Dickensian. Although the Institute attracts the world's finest eye specialists, there's nowhere to put them.

So short of space are they, some researchers are using corridors as offices.

The equipment they have will soon be obsolete, the equipment they need, there's no money for.

The laboratory facilities are inadequate, the workshops basic, the study and lecture facilities virtually non-existent.

And to cap it all, there are three miles of London traffic hindering the close liaison between the Institute and the hospital that's vital if more breakthroughs are to come.

That's why the Duke of York, our Patron, has recently launched The Fight For Sight Special Appeal.

We need to raise money, a lot of money, to re-house the Institute right next to Moorfields on a site that's already being prepared.

There we can build a research centre that can really get on with the task of preventing and curing blindness.

Where there'll be room for everyone to pursue their research, backed up by the most up-to-date equipment, the best trained technicians and, most important of all, the Institute and the hospital will be working side-by-side.

Something that will speed up the rate of advance immeasurably.

The cost of it all has been put at roughly £42 million. Of this, only a small part is actually for building. The rest is needed to fund new Chairs in Molecular Genetics, in Cell Biology, in Developmental Neurobiology and in Inherited Retinal Disorders.

To equip the laboratories, workshops, clinics and lecture rooms.

And, of course, to staff them.

It's a lot of money to raise.

Especially these days when there seem so many worthwhile causes around.

But if you'd ever seen the look of bewildered joy on the face of a three-year-old who's just seen his mother for the first time, you'd know there are few more worthwhile than this.

If you'd like to know how you can help The Fight For Sight Appeal, please send the coupon below.

If you'd like to contribute, just send your cash, however large or small the amount. (Barclaycard and Access holders can use our Credit Card Line on 071-383 0582.)

It's said that money can't buy happiness.

Don't you believe it.

If you'd like to know how you or your business can help The Fight For Sight, please complete the coupon (or attach your business card) and send to the address below. (BLOCK CAPITALS PLEASE) FT1

Name__________

Company__________

Address__________

____

Postcode_____ Tel No._____

Send to: Fight For Sight (Special Appeal), Judd Street, London WC1H 9QS. Telephone 071-383 0582.

THE FIGHT FOR SIGHT APPEAL

Cambodian talks end without real moves to peace

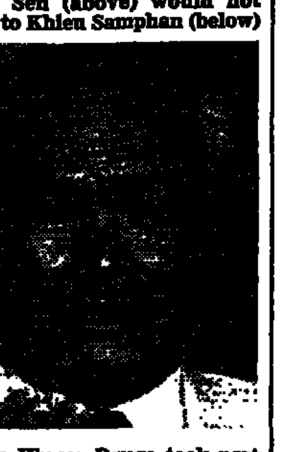
By Stefan Wagstyl in Tokyo

CAMBODIA'S warring factions failed to make real progress towards a peace settlement in two days of talks which ended in Tokyo yesterday.

The failure of the talks is a disappointment to Japan, which sponsored the discussions in its first big diplomatic initiative since 1963, when it hosted a meeting between warring Malaysian leaders.

Mr Hun Sen, the Cambodian Prime Minister, and Prince Norodom Sihanouk, nominal head of a coalition of resistance groups, signed a face-saving accord calling for a conditional ceasefire. But Mr Khieu Samphan, leader of the Khmer Rouge, the most powerful force in Prince Sihanouk's loose alliance, did not put his name to the document.

Hun Sen (above) would not talk to Khieu Samphan (below)



As a result the 11-year civil war is expected to continue, with the Khmer Rouge, which is armed by China, continuing to battle against the Vietnam-backed regime of Mr Hun Sen. Prince Sihanouk said at the end of the talks that war would unfortunately continue. His forces and those of Mr Son Sann, a third resistance leader close to Sihanouk, would stop fighting but the Khmer Rouge was not bound by the ceasefire agreement. "We have to be realistic. In order to have peace in Cambodia we have to make peace with the Khmer Rouge."

Mr Taro Nakayama, the Japanese Foreign Minister, put the outcome in a positive light, however, saying the signing of the communiqué would provide an impetus to the next stage of the peace process.

Japan had hoped the meeting might produce a more significant agreement after it persuaded Prince Sihanouk, Mr Hun Sen and Mr Khieu Samphan to attend. However, Mr Hun Sen insisted he would not negotiate with the Khmer Rouge, only with Prince Sihanouk. The Khmer Rouge refused to accept these terms.

Under the agreement, Mr Hun Sen and Prince Sihanouk pledged to stop fighting when a supreme national council is formed, which the two said should be by late July. The council has been proposed by the United Nations as an interim body which would exist until internationally-supervised elections take place. The Phnom Penh Government and the resistance would each nominate six members. But, as Prince Sihanouk said, the council would only be effective if the Khmer Rouge took part and if the UN monitored the ceasefire.

The UN Security Council is due to review Cambodia again in July but is unlikely to take action unless the Khmer Rouge comes to the negotiating table.

The apparent failure to make progress is a diplomatic reverse for Tokyo, but not necessarily a serious one. Japan's purpose, aside from wishing to see peace in Cambodia, is to develop a political influence in world affairs equal to its economic power. The important point for Tokyo is not to achieve immediate success (though that would have been welcome) but to begin to play a part in resolving serious international conflicts, especially in Asia.

In Cambodia, Japan has to tread carefully to avoid antagonising China. China's aim in the region is to maintain the pressure on its arch-enemy Vietnam and its allies in Phnom Penh. For this reason Peking arms the Khmer Rouge although it is not keen to see it returned to power.

India exports miss target

By K.K. Sharma in New Delhi

INDIA'S 1989-90 trade deficit rose a marginal 4.3 per cent in rupee terms but declined by 9.3 per cent in dollar terms to $4.6bn (£2.7bn) from $5.1bn a year earlier.

Although exports in 1989-90 reached Rs276bn (£9.6bn) – a 35.5 per cent rise in rupee terms over the previous year – they failed to reach the Rs280bn target set by the Government. In dollar terms the growth rate was 18.7 per cent, just short of requirements to keep foreign debt serviced safely.

Figures were hit by a sharp drop in gem and jewellery sales, India's single largest export, which fell short of targets by about Rs10bn.

Imports in 1989-90 are estimated at Rs354bn, a growth of 27.9 per cent in rupee terms and 11.2 per cent in dollar terms.

The sharp rise is attributed mainly to crude oil and petroleum goods which, at Rs61.9bn, accounted for 25 per cent of total imports.

During the year Indian Airlines bought 13 A-320 Airbus airliners for Rs75.9bn. The Government has now decided to sell four of them and lease the rest, following controversy after a crash at Bangalore last February.

The Airbus purchases were a one-time transaction, but the Government is acutely worried about the increased import bill for petroleum goods. Attempts are being made to cut this; one proposal has been petrol rationing.

One man's refugee is another man's guerrilla

David Housego considers Indian claims that mujahideen are receiving military training on Pakistan land

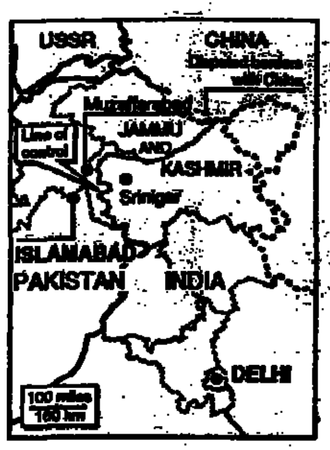
AT THE heart of the dispute between India and Pakistan over Kashmir is the issue of whether Kashmiri militants are being given training in guerrilla fighting on the Pakistani side of the line of control that divides the two countries.

At Muzaffarabad, the sleepy capital of Pakistan Kashmir, you see neither training nor weapons. But with a minimum of nosing around you meet young Kashmiris from the Valley who claim they are being trained. You can also visit "safe houses" where young men – who look too physically fit, well fed and well cared for to be ordinary refugees – tell you they are ready to fight and waiting to get back across the border.

Within the crowded courtyard of the Jamaat-i-Islam office, one young militant spells out what others are hesitant to say: "We are taken up to the hills in trucks, often at night to be given training. I have done a month's training including automatic weapons, bomb blasts and anti-tank weapons."

Another young man, when out of earshot of his colleagues, says he is a member of the Hezb-i-Mujahideen guerrilla group – which comes under the wing of the Jamaat – and had done a month's training near Rawalpindi on similar weapons.

An official of the Jamaat took me to two "safe houses" or "refugee camps" in the vicinity of Muzaffarabad – Gujra and Chatta Domil, at opposite ends of the town. The Jamaat is the best organised of the Islamic fundamentalist movements, well endowed with funds, maintaining close links with Saudi Arabia and other Moslem states, and with a record of supporting guerrilla fighters – especially in Afghanistan.



It also has a strong organisation in Indian-controlled Kashmir, particularly in the villages, though it was recently outlawed.

The Jamaat "refugee camps" are quite unlike the official camps of the local Azad Kashmir government, where you see the familiar miseries of refugee life. Defence attachés from Islamabad were taken to these last week and came back with tales of Kashmiri families complaining of the appalling conditions and of young men lamenting that they could obtain neither weapons nor training.

I visited one such tented camp at Ambore and saw the depression that had rapidly set in among families who could barely support themselves.

The first big difference in the Jamaat camps is that there are no women, children or older men. They are all young men coming from different towns and villages in the Valley and from a range of jobs – students, engineers, business, and medical assistants.

The second difference is that morale is high. They say they are well looked after. Apart from regular meals of rice and meat, "we get glucose, fruit and fruit juices if we want," says one young man.

They describe themselves as refugees. But stickers on the wall proclaim they are members of the Hezb-i-Mujahideen. One poster makes common cause between the Moslem struggles in Kashmir, Afghanistan and Soviet Azerbaijan.

Jamaat officials say that between 8000 and 10,000 young men have crossed from Indian-controlled Kashmir. This figure tallies with estimates of both Pakistani and Indian officials.

Virtually all of them came between two and four months ago – confirming that Indian efforts to seal the border have made it far harder since to get across. I met one boy at Ambore who had recently taken seven days to make the short journey from Baramulla on the Indian side.

The office of the Jammu and Kashmir Liberation Front (JKLF) in Muzaffarabad looks run-down and half deserted – thus lending some confirmation to claims by Indian officials to have "broken" the JKLF, at one time the leading militant movement.

The JKLF is an urban group, largely concentrated in Srinagar, while the Hezb – which the Indians say is far harder to crack – is rooted in the countryside. Hezb officials say that their strategy now is to shift the conflict with the Indian forces to the rural areas.

Unlike the JKLF which wants an independent Kashmir, the Hezb wants Kashmir to become part of Pakistan. Though weapons are not visible in Muzaffarabad, Jamaat officials leave no doubt that they can be easily obtained in the large Pakistan arms bazaar that has flourished since the Afghan war.

It is not clear who provides the training. Kiffyat Maqbool, a senior Hezb-i-Mujahideen member, says he was trained in Afghanistan in 1988-89. A small number of other militants have also been to Afghanistan. One young man claimed that the Pakistan intelligence services were training people but had no evidence of this. Much of the training seems to be provided by other mujahideen and to be of a fairly basic nature.

Pakistan strongly denies that it is providing training. Officials are clearly aware of the Jamaat camps and embarrassed by them. Pakistan diplomats do not want a war but they are also in no position to control the activities of the Jamaat – a powerful autonomous lobby in Pakistan opposed to Prime Minister Benazir Bhutto. Mr Sardar Abdul Qayoom Khan, the President of "Azad" Kashmir, the Kashmir state on the Pakistan side of the border, fears that "Azad" Kashmir as well could get swallowed up in the violence that has overtaken the Valley. "If nothing is done soon [in terms of finding a longer-term settlement], militancy is bound to take over," he said.

Encouraging the spread of militancy, as he sees it, is the dangerously large amount of weapons floating around. Officially Pakistan's stance is to insist on a plebiscite for Indian-controlled Kashmir that would give the Valley a choice of joining India or Pakistan. Unofficially other formulas are circulating. Mr Qayoom Khan believes that leaders of the two halves of Kashmir should first get together to see what type of settlement would be acceptable to Kashmir.

An Indian promise to withdraw an armoured division poised close to Pakistan's border plus proposals for confidence-building measures could reduce fears of all-out war between the neighbours, Reuter reports from Islamabad.

But Pakistani officials said yesterday they had yet to be convinced India was genuine in wanting to reduce military and political posturing over a Moslem uprising in Kashmir.

"If we feel that they want a genuine redeployment that would get a good response from us," a senior foreign ministry official said. Pakistan could be ready to send troops back to peacetime positions once it was convinced India's unilateral promise to withdraw an armoured division was genuine, he said.

The Indian Foreign Ministry said yesterday the withdrawal of the armoured division from the Mahajan range in the Rajasthan desert was "on schedule and well under way" but would take days.

Pakistan denies Indian charges that it is arming and training Moslem militants fighting inside Indian Kashmir. Each side has beefed up forces along the mountainous ceasefire line.

The Pakistani Foreign Ministry remains cautious about what Mr V.P. Singh, the Indian Prime Minister, said were proposals to restore relations to "the path of friendship". Pakistan fears India could be trying to improve its status internationally without changing its fundamental position.

Belgium presses Zaire on students

BELGIUM has given a cautious welcome to a Zairean parliamentary inquiry into allegations that President Mobutu's troops murdered student demonstrators last month, but is still maintaining pressure for an international investigation, David Buchan writes from Brussels.

Mr Mark Eyskens, the Belgian Foreign Minister, yesterday told Zaire that there were "positive elements" in its decision to set up a parliamentary inquiry into the alleged killings of students at Lubumbashi university in Shaba province. But the Mobutu government is evidently baulking at the outside investigation demanded by Belgium, the former colonial power in Zaire, and backed by the US and the European Community.

Press reports say 28 Lubumbashi professors who had petitioned the governor of Shaba for an inquiry have refused to testify before the parliamentary commission which has arrived in the province.

The anniversary of Peking's Tiananmen Square massacre is marked by familiar press distortions

Truth takes a beating in city under siege

By Peter Ellingsen in Peking

Things are back to normal in Peking, according to the Chinese Government. So "normal," in fact, that officials have resorted to familiar distortions to deny the truth.

For the second time in two days Peking University students on Monday staged a rowdy protest. According to authorities, however, "universities are in good order and quiet as usual".

The China Daily, at the end of an article headed "Peking life is normal on 4 June", reported that on "Sunday evening some students started a disturbance", but it failed to mention attacks on the party, or Monday night's recurrence of bottle smashing in which students mounted yet another anti-Government demonstration. The army's official newspaper lashed out at western nations, saying they had never stopped the "invasion and plunder of China".

Xinhua, the official news agency, marked the first anniversary of the Peking massacre by noting: "It was 30 degrees and a sunny day. Millions of Peking residents peacefully spent this Monday in busy work and pleasant rest".

It clearly did not mean the elderly Chinese woman who was thrust aside, and had her ice-cream trolley trampled, when police in army helmets charged at foreign journalists and residents outside Peking University.

Shouting and waving their automatic weapons, the police, without warning, ran at a small group of [illegible], several who could not run fast enough and beating two students who got in the way.

Hundreds of police again patrolled Peking's university district, erecting road blocks to seal off the area and demanding identification from drivers.

One western observer said the massive security had betrayed a nervous government nursing deep divisions. "It is major overkill, ineptly handled and showing a clear lack of balance," he said.

He added it appeared as if controlling factions were unable to resolve their differences and were applying maximum force through fear rather than judgment. Many observers think the Government will only last as long as Deng Xiaoping, the 85-year-old paramount leader.

Once Deng departs, the power struggle will surface and spark upheavals similar to last time, they argue. Whatever lies ahead, Peking is now pretty much where it was this time last year. Even without the tanks it remains a city under siege.

Tiananmen Square was open to the public for the first time in four days yesterday and some residents and tourists joined the small army of police and plain-clothes security men stationed there.

Strollers and sightseers returned to the huge square where police had stood guard since Friday, cordoning off the centre of past democracy protests.

A convoy of police motorcyclists roared past but the streets of the Chinese capital were calm. Roadblocks manned by police carrying sub-machine-guns, which had stopped and searched passing cars on two consecutive nights, were removed.

There were reports of student demonstrations in other cities, including Shanghai and Wuhan, but yesterday Peking appeared quiet. Most students interviewed yesterday said that despite the bottle-smashing protests on Monday night, further anti-government activities were unlikely.

Egypt hopes for IMF accord to help revive economy

AFTER two years of hard bargaining and painful austerity measures, Egypt hopes to win International Monetary Fund (IMF) help to revive its stagnant economy in a new round of talks starting today, Reuter reports.

To show the IMF it means business, Cairo last month risked public wrath by increasing prices of a wide range of essential subsidised consumer goods. It now enters the talks armed with a new budget expected to reduce the state deficit.

Last month Mr Hosni Mubarak, the President of Egypt, said negotiations with the IMF had yielded agreement in principle and Prime Minister Atef Sedki, the Prime Minister, said an accord was expected by July.

In the last month, Egypt has:

- Raised prices of consumer goods including domestic cooking gas by about 130 per cent, locally produced cigarettes by 20 per cent, wheat, flour and rice prices by 10 to 100 per cent and petrol and kerosene by 40 to 60 per cent.
- Announced a sharp decrease in the official exchange rate used for wheat imports and oil and cotton exports. The adjustment, to take effect July 1, will bring it much closer to market rates.
- Hinted it would raise interest rates on bank deposits as of July 1 by around one or two points.

The government expects its budget for the financial year beginning in July to meet a key IMF demand that it reduce its deficit.

An analysis presented by the national news agency MENA said the new deficit would equal only 8 per cent of gross domestic product, compared to 13.5 per cent his year and 16 per cent the year before.

But western economists say the five-member IMF team, due to hold two weeks of talks, will want to pore over the new budget to assess how far reforms have actually gone.

They will want to know how the government derived its figures and apply their own accounting standards to them.

Egypt has a massive trade deficit and has been finding it increasingly difficult to get trade finance. Western economists say the government has only enough cash to pay for crucial wheat imports until around October. An IMF accord would let Egypt draw on IMF standby credits if necessary and pave the way for World Bank assistance. It would also open the way for the Paris Club of government creditors to reschedule their portion of Egypt's estimated $50bn in foreign debt.

Egypt reached its last accord with the Paris Club in May 1987 but has since fallen heavily into arrears. A Paris club agreement might even open the way to new foreign assistance.

For the last two years the IMF has been asking Egypt to liberalise its economy and encourage the private sector. It wants to promote exports from areas such as agriculture and light industry and gradually loosen the complicated system of state-imposed prices to reflect market values more closely. Freeing prices will initially fuel inflation so the IMF wants the Government to print less money.

"The whole thrust is to move from a highly controlled economy to a freer one," said one western economist.

He said the government had taken courageous steps to reform the system and reduce red tape but much still needed to be done.

Moscow, S Korea to establish closer links

THE Soviet Union and South Korea will set up a joint committee this year to boost trade and other economic exchanges, following a meeting in San Francisco of Presidents Roh Tae Woo (left) and Mikhail Gorbachev, agencies report from Seoul. The meeting was the first between leaders of South Korea and the Soviet Union since Korea was divided in 1948.

It has been agreed that economic co-operation between the two countries should be expanded and that an economic committee be created to promote various exchanges. A South Korean official said the committee, led by ministers or their deputies, would prepare pacts guaranteeing investment in each country.

A Soviet business delegation last week presented to Seoul lists of projects Moscow wanted to carry out with South Korean entrepreneurs, he said.

Meanwhile, the Korea Promotion Corporation said South Koreans had placed $30m in orders for Soviet goods during an exhibition in Seoul last week, in which 50 Soviet companies took part.

An official of the International Private Economic Council of Korea, set up in 1988 by South Korea's powerful business conglomerates to promote trade with communist countries, said the Soviet Union made 100 offers for joint technological and industrial co-operation.

"They proposed to provide results of scientific research and some advanced technology in return for our production technology," he said.

Firm growth in Philippine economy

THE Philippine economy grew by 6.26 per cent in the first quarter of 1990, a substantial improvement over the similar period of last year, Rexie Reye reports from Manila.

The National Statistical Coordination Board said the faster growth rate was due to external factors. These included a cut in interest payments on foreign loans as a result of a debt buy-back scheme, implemented in January, and an increased level of remittances from abroad.

Under the debt reduction programme the country's $1.34bn debt was repurchased from foreign commercial bank lenders at 50 per cent discount, using funds earmarked by multilateral agencies for debt relief.

The inflation rate, as measured by the GNP implicit price index, increased from 8.14 per cent in first-quarter 1989 to 14.52 per cent in this year's opening quarter. The annual rate of increase in inflation in 1989 was 10.56 per cent, up from 9.6 per cent in 1988.

Khamenei repeats Rushdie demand

AYATOLLAH Ali Khamenei, Iran's spiritual leader, yesterday reiterated his country's demand that author Salman Rushdie be turned over to British Moslems and executed, Tehran radio said, AP reports.

Lebanese president seeks aid for reconstruction

By Lara Marlowe in West Beirut

Mr Elias Hrawi, the President of Lebanon, and his Prime Minister Dr Selim El Hoss travelled to Cairo yesterday at the start of a tour of Egypt, Libya and Tunisia to pursue promises of reconstruction aid made at the summit of Arab leaders in Baghdad last week.

In addition to seeking economic and military aid, Mr Hrawi is expected to ask Mr Hosni Mubarak, the President of Egypt to use his influence with Iraq and the PLO and persuade them not to undermine the Lebanese government by continuing to support Christian Lebanese General Michel Aoun. He may also ask the Egyptian leader to put pressure on the Israelis to withdraw from the 800 square miles of territory they occupy in Southern Lebanon.

Several Lebanese politicians, including Mr Walid Jumblatt, the Druze leader, had predicted that the Baghdad summit, which was held without Syrian or Lebanese representation, would put an end to the TAIF peace accords on Lebanon concluded in Saudi Arabia last October.

But President Hrawi, who was elected as a result of the TAIF agreement, seems determined to take advantage of those clauses in the Baghdad communique which confirmed the support of Arab leaders for the TAIF process, renewed the six month mandate of the Arab League Committee on Lebanon and announced the establishment of a joint Arab-international fund to assist in the reconstruction of the country.

The summit did not specify how much money would be made available to President Hrawi's government. More than 10 years ago, the Arab League promised $2bn in reconstruction funds for Lebanon but less than one quarter of that amount was dispersed.

Lebanese officials have frequently complained that the internationally recognised government cannot provide services, ensure security and win the loyalty of the Lebanese without sufficient funding. The West Beirut newspaper As Safir yesterday quoted Lebanese ministerial sources as saying that at least $6bn would be required to repair damage caused by 15 years of civil war.

In Cairo, Tripoli and Tunis, President Hrawi will be seeking weapons for his ill-equipped army. His commander-in-chief, General Emile Lahoud, says that the provisions of the TAIF accord, cannot be carried out without a strong Lebanese army.

'ongress to delay oviet trade treaty ver Baltic issue

'eter Riddell, US Editor, in Washington

GRESSIONAL approval of US-Soviet trade treaty ed last Friday is highly ely until there is an eas- of Moscow's squeeze on uania. Senate and House rs of both parties made clear yesterday after hear- a report from President ge Bush on his talks with dent Mikhail Gorbachev.

ile stressing widespread rican concern over Lithua- Mr Bush has formally d the sending of the trade y to Congress solely to the ment by the Soviet parlia- of legislation liberalising ration. This is the formal ition for granting Most ured Nation trade status.

e Soviet legislature unced yesterday it had ed to delay action on the until September at the ear-

The Soviet authorities ted that the delay was due to the weight of leg- on facing the parliament.

er seeing Mr Bush, Mr Foley, the Democratic ker of the House of Repre- itives, said there would e "much more progress on favoured nation status s there is along with it, nly an emigration codifi- n, but some positive ment on the Lithuanian states issue".

ator George Mitchell, the ocratic Majority leader, has accused Mr Bush of tively abandoning the anians, linked a modera- tion of Soviet sanctions and "reasonable negotiations" with approval of the treaty.

Similarly, Senator Robert Dole, the Republican minority leader, said that even after the Soviets "codify their emigration policies, if the Baltic problem is not resolved, then I think it will become a matter of great concern in the Congress, bipartisan."

There have, however, been suggestions that, once the emigration law is enacted, Congress may be more willing to approve a trade treaty, partly as a form of leverage with the Soviets, and also because of the worries of some midwestern farm state legislators that delay could hold up implementation of the five-year grain deal. Mr Marlin Fitzwater, White House spokesman, yesterday confirmed that Mr Bush had finally decided to go ahead with the trade treaty only half an hour before the signing ceremony.

This came after he watched Mr Gorbachev make an appeal for a trade deal in his televised meeting with congressional leaders. The issue was apparently vigorously debated among his close advisers. Before the summit Mr Nicholas Brady, the Treasury Secretary, and Mr Robert Mosbacher, the Commerce Secretary, had jointly urged Mr Bush to sign the treaty so as not to leave American companies at a disadvantage.

Argentina's inflation gathers pace

By Gary Mead in Buenos Aires

ARGENTINA'S inflation rose to 15.2 per cent in May against 11.4 per cent in April, according to official figures, despite government hopes of cutting the monthly figure to single figures.

The greatest increases for May showed an 18.6 per cent jump in housing, with food and health bills increasing by an average 4 per cent.

The May figure was worse than government predictions. Its main effect is to undermine the prospects of maintaining recently agreed targets with the International Monetary Fund. In order to renew a suspended stand-by credit worth $920m, the Argentine Government has set a monthly 2 per cent inflation target between now and the end of 1990.

The IMF stand-by (originally granted in November 1989) was suspended in February following failure to meet, among other targets, that concerning inflation levels.

A further worry for the Government's attempts to stabilise the economy is the resurgence of widespread industrial unrest; wage levels are substantially lagging behind recent inflation. The Government has called on trade unions to limit their demands.

A crusader takes on corporate America

Peter Riddell reports on the private campaign to make companies more accountable

IT IS unusual to hear an American businessman say he wants to emulate British practice. But Mr Robert Monks admires how UK financial institutions have worked together to influence the way companies are run. He wants to make American corporations similarly more accountable.

His Washington based group Institutional Shareholder Services (ISS), is both a beneficiary and a stimulant of the growing wave of investor activism. It offers advice to US pension funds about the governance of companies. It also analyses proposals put up by directors and makes recommendations about how shares should be voted in any proxy battle.

Mr Monks believes that the managements of most big US corporations are largely accountable to themselves rather than to the shareholders who are their owners. He does not accept that the market provides the right discipline via the threat of a takeover. To him this is a violent solution.

Acquiring companies often have obligations to the people from whom they have borrowed the necessary funds and are circumscribed in what they can do. Getting rid of management can be destructive of value and it is better to rely on persuasion. Mr Monks is no starry-eyed follower of consumer advocates such as Mr Ralph Nader. He has no underlying social agenda.

His approach is capitalist; to improve accountability and to recreate the idea that owners of corporations should have a duty to attend to the conduct of the company in which they are investing. An opportunity is provided by what Mr Monks describes as a "reagglomeration" of ownership into the hands of 200 institutions who control nearly a half of all stock.

Aged 56, Mr Monks was involved in a family oil business during the 1970s and ran the Boston Company investing group until its takeover by American Express. He served in the Reagan administration in the early-to-mid 1980s, at one time running the Labour Department's pension and welfare benefits programme, when he sought to encourage activism by pension funds.

He established ISS five years ago; with a staff of 25 in riverside offices in Georgetown, it has over 100 US institutions as clients, including the employee pension funds of New York City and California. Collectively they own roughly a third of US shares.

Mr Monks takes a "pro-active" role – using the right of any shareholder who has held at least $1,000 nominal of stock for a year to table a proxy proposal. His immediate target is "issues so self-evident that only the ignorant and the corrupt can be against." He is concerned about "junk stock" – that is stock issued with restricted rights.

Mr Monks cites preference shares issued to a particular holder or holders who may support existing management rather than equity offers equally open to all current shareholders.

He has focused on these and other protective/anti-takeover devices such as poison pills.

An immediate problem is that large pension funds do not initiate proxy fights, which cost large amounts of money, because of their fiduciary responsibilities and the free rider problem of defining a direct benefit.

MR Monks has joined with sizeable independent shareholders who have compatible interests and can finance a proxy battle (though ISS is not paid by them).

Last year, he allied with some Texas investors successfully to fight proposals by Honeywell's management to change an annual pattern of board elections to a staggered pattern over three years and to reduce rights of shareholders to act between meetings. Similarly, he has recently worked with Mr Harold Simmons in successfully persuading Lockheed to add shareholders' representatives to the board and to enact measures such as overturning a poison pill provision, opting out of anti-takeover protections provided by incorporation under Delaware law and bringing in confidential proxy votes.

Mr Monks believes managements are starting to understand the benefits of broad-based governance. The Business Roundtable has proposed that boards should have a majority of outsiders and nomination committees (for appointments) should be exclusively outsiders.

Mr Nicholas Brady, the Treasury Secretary, has also urged an improvement in corporate governance, while the Securities and Exchange Commission has widened the kind of issues which it considers appropriate for proxy votes.

There are limits to what Mr Monks can, and wants, to do. He focuses on questions of governance and process rather than attempting to direct a board.

He notes wistfully the role of the Bank of England in Britain in bringing together shareholders, bankers and companies in trouble by what he calls "indirection."

A natural Anglophile – he rowed in the winning Cambridge eight in the 1955 Boat Race – he has discussed these issues with friends like Sir Adrian Cadbury, a non-executive director of the Bank, and Mr David Walker, now of the Securities and Investments Board.

Mr Monks also admires the work of the National Association of Pension Funds in fostering collective action (for all the doubts expressed in Britain about what the association, and indeed what the Bank of England, can accomplish).

But such informal, collective action is more difficult in the US. American pension funds have been reluctant to come together, not just because of legal obstacles (which Mr Monks believes are not overwhelming) but because of underlying US populist suspicions of such big institutions acting together.

US funds are more geographically dispersed and less cohesive than British ones, though the Council of Institutional Investors, a group of funds, is considering independent assessment of executive compensation.

The growth of ISS and similar advisory groups suggests that US institutions are becoming more interested in governance and in creating a new relationship with corporate managements.

Quebec talks make slow progress

ernard Simon
ronto

ADA'S Meech Lake accord teetering on a knife edge rday as Mr Brian Mulro- the Prime Minister, and provincial premiers held d day of talks in Ottawa rrow the gap between sup- rs and critics of the con- ional agreement.

ew of the provincial pre- put on a brave face at tart of yesterday's meet- ut two provinces – Mani- and Newfoundland – doggedly resisting intense ure to accept the accord. remier of Prince Edward l, Mr Joseph Ghiz, said as tered the meeting: "We're impasse and I don't see a out of it."

Bank of Canada yester- gave a taste of the eco- c consequences of the n Lake turmoil with news Canada's international ves fell by almost US$1bn month, largely reflecting entral bank's efforts to rt the Canadian dollar. eserves stood at $13.98bn ay 31, down from $14.97bn nth earlier.

consolation for Mr Mul- is that New Brunswick, first province to raise s about the accord after it drawn up in 1987, now rs ready to ratify it. The d requires the approval of provinces by June 23 if it survive. But Quebec s any amendments in the d giving it the ability to erve and promote" its sta- a distinct society.

US call to protect technology

By Peter Riddell

THE Bush Administration is facing growing industrial and congressional pressure to intervene more actively to preserve US ownership of companies involved in advanced technology.

The House of Representatives is this week considering legislation which would exclude joint ventures with 30 per cent or more foreign participation, and those situated abroad, from a proposed extension of anti-trust immunity to joint manufacturing ventures. This is now limited to co-operative research and development.

While there is general support for an extension of anti-trust immunity, this aspect of the proposed legislation is opposed both by the Administration and foreign investment groups such as the Association for International Investment.

The association has argued that the proposed limit contradicts the accepted principle of national treatment under which both US and foreign-owned companies have equal rights. Moreover, the ability of US firms to benefit from technology possessed by foreign companies would be restricted, discouraging collaboration

Separately, Mr Dick Cheney, the US Defence Secretary, has been urged by a Pentagon advisory panel to intervene to maintain US ownership of industries critical to national security.

ollor's drastic reform nges on court ruling

ohn Barham in São Paulo

scene is set for Brazil's onstitutional crisis today the Supreme Court rules legality of one of Presi- Fernando Collor de Mel- avourite instruments – ency decrees.

Collor claims that his c anti-inflation policies e condemned to failure if ourt rejects the Govern- s case. His opponents in ess and the legal profes- say the Government's of emergency legislation ens democracy.

crisis began building week, when Congress out an emergency decree n as Provisional Measure which the Government d independent labour tri- s from awarding infla- y wage increases.

constitution allows the nment to issue Provi- Measures, which take immediately. But the ures lapse unless Con- approves them within 30 The Government's entire flation package, bitterly sed by many for being stitutional, was imple- d by using dozens of provisional measures".

Thursday, Congress d Provisional Measure y 149 votes to 133. ed by its first serious e in Congress, the Gov- nt issued a new measure ext day with the same but with a different ng. Immediately, the utors of the Republic, an

Cardoso: warned of recession

independent constitutional watchdog, asked the Supreme Court to rule on the Government's action.

Ms Zelia Cardoso de Mello, the Economy Minister, warned that if the Government is was defeated over wages policy, it would have no choice but to unleash a profound recession.

However, some political observers in Brasilia take a less apocalyptic view. The Government, which has a slim if unreliable majority in Congress, owes its defeat to poor organisation and a stubborn refusal to trade federal sinecures for votes.

But President Collor wants to cut back the government bureaucracy, end the spoils system and use his considerable popularity in the country to win congressional support.

WORLD TRADE NEWS

Japanese to step up drive against freer rice market

By Robert Thomson in Tokyo

THE JAPANESE Government is confident the dispute between the US and European Community over agricultural trade has increased the probability that Japan's rice market will not be liberalised in the present round of multilateral trade talks.

Japan plans to intensify its campaign against liberalisation, with two ex-agriculture ministers leading delegations to Europe and the US in June, and officials preparing a Gatt policy paper, due to be released next month, unlikely to offer any concessions on the issue.

The new-found confidence among Japanese officials comes despite the release of a public opinion poll this week suggesting 65 per cent of Japanese support opening the rice market, while only 30 per cent insist on a total import ban.

An Agriculture Ministry official said the poll results would not influence policy, as the Japanese who favour opening the market "do not protest on the streets", while the farm lobby is active in its opposition.

Japanese officials believe that a communiqué after Organisation for Economic Co-operation and Development ministers met in Paris last week has strengthened the country's claims that the rice market should remain closed in the interests of "food security", which they say was implicitly accepted in a section on "non-trade concerns".

"Food security is a non-trade concern. We only accepted the wording on the understanding from other countries that food security is implied, although not expressly mentioned," an official who attended the Paris meeting said.

"A more important question is export subsidies for agricultural products. As long as the EC and US can't reach agreement on this, it will be difficult for us to demand our farmers accept liberalisation."

Tokyo had presumed that the food security argument would not survive the Uruguay Round negotiations, and that international pressure would force a concession on the politically-sensitive rice issue.

Senator Gareth Evans, Australian Minister for Foreign Affairs and Trade, urged participating countries in the Uruguay Round last night to develop a framework for final negotiations ahead of next month's crucial meeting of the Gatt Trade Negotiations Committee in Geneva, Tim Dickson reports from Brussels.

"By then [July 23], we will have to be really near the end-game rather than playing with our pawns and castles," he said after ministerial talks with the EC in Brussels.

But the Agriculture Ministry is now preparing to argue strongly in favour of food security in a Gatt submission on agricultural reform, and will emphasise that Japan's food self-sufficiency amounts to only 49 per cent of calorie intake and cereals self-sufficiency is only 30 per cent.

The submission is being prepared following the OECD ministers' agreement to develop an "appropriate framework" on agricultural policy by the July meeting of the Uruguay Round's Trade Negotiating Committee.

Meanwhile, Japan has quietly decided to ignore a letter sent to the Agriculture Ministry by Mr Clayton Yeutter, US Agriculture Secretary, expressing his "distress" at Japan's failure to offer concessions on the rice issue, and the suggestion that he had interfered in Japanese affairs.

Last week, a senior Japanese agriculture official who met Mr Yeutter studiously avoided comment on the contents of the letter.

However, he explained the Japanese press has a habit of reacting "excessively" on the rice issue and that Mr Yeutter should not take offence.

The official emphasised to Mr Yeutter that Japan was "prepared to discuss" the rice issue. Mr Tomio Yamamoto, Agriculture Minister, has previously told the US that Japan's willingness to discuss the issue should not be mistaken for a willingness to make concessions.

Chile seeks to regain US tariff concessions

CHILE, expelled from the US duty-free trade benefit programme for violations of workers' rights, is on its way to reinstatement, Nancy Dunne writes from Washington.

Chile will today present its case for re-admittance to the US Generalised System of Preferences (GSP) before a special inter-agency commission. The petition is supported by the AFL-CIO, the main US umbrella union organisation, which brought the case to remove it four years ago.

The GSP is a special system of tariff concessions to encourage expansion of manufactured and semi-manufactured goods from developing countries. A public hearing is set for this month, and the case could be resolved by the time President George Bush visits Chile in September.

Mr Patricio Silva Echenique, Chile's new ambassador to the US, said its expulsion from the GSP in December 1987 had been "a help" to democratic forces there, but now it was costing the new democracy dearly.

"We estimate it will affect about $50m [£31m] of Chilean export this year," he said in Washington. As a result of the expulsion, tariffs on Chilean methanol had risen from an average 4-5 per cent a year to about 18 per cent, making the product uncompetitive with Canadian methanol.

Also, GSP status had been linked to access to the US Overseas Private Investment Corporation, which provided investment insurance and equity. Big projects had not been much hurt by the loss, but small projects had. The US is by far Chile's largest market. The country must export 30 per cent of its GNP to pay its debt. Two-thirds of that 30 per cent goes to the US.

Mr Echenique said Chile was studying the proposed free trade accord between the US and Mexico, which, while "very imaginative", could hurt Chilean trade to both countries. He stressed Chile's continued commitment to free market economics and liberalised trade, and said it would agree to liberalise imports in the current Uruguay Round.

Taiwan in two minds on trade with China

Taipei has a confusing policy on links with the mainland, writes Peter Wickenden

WHILE MANY trading partners have gone cool on China since the Tiananmen Square incident one year ago, the Taiwanese are scrambling over there to do business. Asked why by an indignant French journalist, Mr Lee Teng Hui, Taiwan's president replied that this was a positive way to bring prosperity and democracy to the mainland Chinese.

But Taipei has a half-formed and confusing policy on economic links with China. Moreover, officials are voicing fears that Taiwanese businessmen are playing into the hands of the communists, and may, unwittingly or even deliberately, be bringing about Taiwan's economic and social ruin.

Faced with soaring land and labour costs, the drastic appreciation of the Taiwan dollar in the last three years and environmental protests, hundreds of labour-intensive companies are moving out of the island.

On the face of it, moving to China seems risky. China and Taiwan are still officially enemies. Taipei warns that there is inadequate protection for Taiwanese investors, and no official arbitration body to settle disputes.

The chance of political instability in Peking, not to mention electricity cuts and raw material shortages, is another deterrent. In addition Taiwan still officially bans both direct and indirect investment in China.

Despite all the apparent hazards, more than 1,000 Taiwanese companies had put $1.1bn (£650m) into China by the end of 1989. According to the local press, Taiwanese investment currently exceeds that of the US and Japan, accounting for more than 60 per cent of all recent foreign investment there.

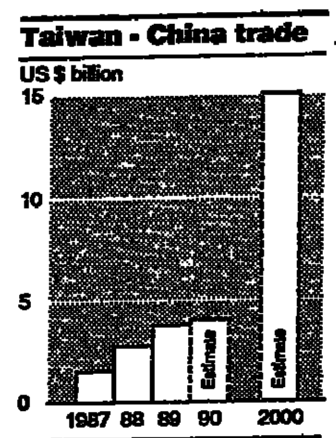
Two-thirds of the inflow has gone to the nearby south eastern province of Fujian. More than 200 Taiwanese companies have invested a total of $629m in the port city of Xiamen, from which ships may next year resume plying the strait after Taipei lifts a 40-year ban. It is already one of the main routes for illegal direct trade and arms smuggling by fishing boats.

Investment in China started as early as 1983, when about 10 companies began making shoes and cheap toys. By 1987, Taiwan had put about $100m into the mainland. With the lifting of the travel ban, and the opening up of indirect trade, the total shot up to $500m by the end of 1988.

Most of the funds went into low-technology, labour intensive fields in which Taiwan is losing competitiveness, such as shoes, toys, umbrellas, sporting goods, textiles, handbags, simple electronic hardware and furniture.

Last year, the average size of each investment was around $2m. This year it has risen to $3.6m, and the Taiwanese are now moving into service industries.

In March this year Taiwan decided to allow businessmen to go to China to study the investment environment. With this came a flood of new proposals, some of them from Taiwan's largest conglomerates, such as Formosa Plastics, Tuntex, Taiwan Cement, and car makers such as Yueloong, which makes Nissan clones, and San Fu, which makes Renaults.



Until now the Taiwan Government has merely warned businessmen to be prudent while stating that the presence of so much Taiwanese wealth in China would eventually bring the communist regime down. But Mr Chen Lu An, the Economics Minister, said in April that the trend of investment was now turning in China's favour. He noted that some recent investments were long-term, more capital intensive projects involving technology transfer.

If Formosa Plastics goes ahead with a plan to build a naptha cracker in Xiamen, 10 per cent of Taiwan's top 100 manufacturing companies will immediately invest there, according to a survey by the leading Taiwanese business magazine.

"That will be the end of the petrochemicals industry in Taiwan," predicts Mr Chang Rong Feng, research fellow at the Taiwan government's top economic think tank. Petrochemicals and downstream plastics account for more than one third of Taiwan's entire exports by value.

Taipei has now spent two years drafting a bill to govern relations across the straits. Among its proposals are that high-technology and capital intensive industries be banned from investing in China. Mr Y.C. Wang, president of Formosa Plastics, says he will not go ahead with his controversial plan until the Government approves it. A survey of smaller companies, however, reveals a devil-may-care attitude.

China has always tried to lure Taiwanese money. A source with contacts in Taiwan's intelligence service has a list of 23 unofficial "incentives" drawn up by Peking to attract Taiwanese underworld figures, some of whom are behind several of Taiwan's biggest unlicensed investment rackets.

Taiwanese companies are also offered privileges that are denied other foreign investors, such as longer tax holidays. In Hsiamen, Taiwanese can appoint their mainland-Chinese relatives to management positions. With the continuing rapprochement between Taipei and Peking, Japanese and western companies are now looking more closely at Taiwan as a point for back-door investment in China. Remitting profits back to Taiwan, however, is proving to be more of a problem the larger the investments become.

According to Taiwan figures, 20 per cent of Taiwan exports to China is now directly related to investments there. Of Taiwan's $3.1bn worth of indirect exports to China last year, the biggest items were used machinery, plastic raw materials and chemical fibres. Imports from China hit $800m last year and consisted mostly of low-value agricultural and mineral products. About 151 types of raw materials and semi-processed goods can now be imported by the private sector from China.

Taiwan's state-owned industry is lobbying for the same right, but the Government is afraid of over-reliance on China for raw materials. The Economics Ministry recently complained that the nature of bilateral trade was also changing because of Taiwanese investment in China. China now competes directly in the US market with Taiwan for 133 items, said Mr Chen Lu An, and this may rise to 166 in the near future.

Despite the fact that Taiwan accounted for more than a third of China's trade deficit last year, Peking reacted coolly to Taipei's recent proposal that semi-official trade liaison offices be set up. The ball is now in Peking's court, but until some sort of official communication is established, it is unlikely that direct trade and transport will be allowed.

HK toys make game recovery

THE Hong Kong toy industry has recovered its spring. Since it returned to being the world's number one toy exporter last year, if south China-processed exports are included, fears of a slow-down in the US market have proved unfounded, Angus Foster reports from Hong Kong.

As makers start shipping their toys to the US for this year's Christmas rush, they hope the industry has fully recovered from the problems of 1987 and 1988, when Hong Kong toy makers had to write off HK$300m (£22.9m) in bad debts.

In 1989, exports increased 19.7 per cent to HK$31bn, making the toy industry Hong Kong's sixth biggest export earner. The figure includes toys processed in southern Chinese factories, then re-exported through Hong Kong.

Worries about political stability in China are prompting the toy makers to look elsewhere. So far, Thailand is the most popular choice, with Malaysia and Indonesia also vying for the their attention.

This year, they expect an overall growth, although the strength of the US economy remains a critical factor. The recovery has been due to belt-tightening, the moving of more output to China's low-cost Pearl River delta, and the weakening threat from Taiwan and South Korea, because of higher exchange rates and labour costs.

An estimated 75-80 per cent of HK toy sales come from making items to other people's designs. Some 90 per cent of HK toy makers have some production in China. The relocation has affected domestically-produced exports, which fell 30 per cent to HK$6.98bn last year, while re-exports added 51 per cent at HK$24.03bn.

GEC Alsthom wins FFr2bn Indian power-plant order

By William Dawkins in Paris

GEC ALTHSOM, the Franco-British engineering group, has won a turnkey contract worth more than FFr2bn (£207.7m) to build a gas-fuelled power station in the Indian state of Gujarat, 125 miles north of Bombay.

This is the third big power station order in Asia for GEC Alsthom, which completed a power plant of similar size in Malaysia three years ago and received an order in 1988 for another now under construction in Thailand.

The group was chosen against competition from several international bidders by the Indian utility, National Thermal Power.

Half the cost of the project will be financed by a World Bank loan, with the rest of the funding to come from the Indian Government. The 600MW power station will have two modules, each containing a 100MW steam turbine, and two 100MW gas turbines.

EUROPE

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UK NEWS

Securities board chief defends role over B&C

By Richard Waters

THE Securities and Investments Board had been concerned for at least a month about the liquidity of British & Commonwealth Merchant Bank, a subsidiary of the British & Commonwealth Holdings group which became formally insolvent on Sunday, it emerged yesterday.

This was revealed by Mr David Walker, chairman, as he launched a spirited defence of the SIB's actions at the end of last week.

Mr Walker said: "For how long am I expected to sit aside, given the powers and responsibilities we have, and do nothing?"

The SIB's order on Friday for investment firms to withdraw their money from the merchant bank has been credited in some quarters for forcing the group into administration. It was also blamed earlier this week by at least one of B&C's creditor banks for undermining a proposed £100m stand-by facility for BCMB.

The SIB's decision to order the withdrawal of funds was made on Friday afternoon, well after it had become clear on Thursday lunchtime that the proposed £100m facility had collapsed, said Mr Walker.

The timing of the announcement, on a Friday evening, gave B&C and its creditors time to reach an agreement to save the group, he said, adding: "There is always a tendency to say, 'If only we had another 24 or 48 hours.'"

Mitsubishi and Apricot to collaborate on computers

By Alan Cane

ACT, formerly Apricot, the Birmingham-based computing services company is at an early stage of negotiations with Mitsubishi Electric of Japan which could lead to the two companies co-operating to provide computer hardware and software across Europe.

Mitsubishi, a widely diversified group, provides a full range of computer systems in Japan, but like all Japanese computer manufacturers, has been hampered in marketing computer systems in the West by software weaknesses.

The intention is clearly that ACT will provide the necessary software expertise to complement Mitsubishi's hardware excellence and extensive distribution channels.

The Japanese company completed the purchase of ACT's hardware manufacturing operations last month in a deal which gave ACT a profit before tax, of about £17m and guaranteed the Birmingham company warranty and maintenance rights on Apricot computers for three years.

Mitsubishi agreed to supply ACT with Apricot computers at a discount for incorporation into ACT systems. The Apricot machines are based on a technology pioneered by International Business Machines, which Japanese personal computer manufacturers have yet to incorporate in their systems.

At the time of the deal there were hints of more extensive collaboration but yesterday, Mr Roger Foster, ACT chairman, said that Mitsubishi senior executives had opened discussions about more extensive collaboration as soon as the hardware deal was completed.

Mr Makoto Narioshi, deputy general manager of Mitsubishi's information and communication systems group, told the Financial Times in Tokyo last month that the company aimed to supply total solutions to its customers' computing problems rather than simply sell hardware.

ACT's sales rose 33 per cent from £105.m to £140.7m last year while profits also rose by one third, from £6m to £8m.

Of the total, the software and services division contributed sales of £59.3m and profits of ££8.9m, while the hardware division contributed £81.4m in sales and £200,000 in profit.

Earnings per share increased 14 per cent to 7.07p and Mr Foster said a final dividend of 1.5p would be proposed making a total for the year of 2.25p.

Mr Simon Hunt, formerly joint managing director and finance director, has resigned to pursue personal business interests leaving Mr Mike Hart as sole managing director.

Mr Foster said the company expected to grow 20 per cent a year over the next few years.

Revenues for the current year were likely to be around £100m without the hardware division.

Colleges may borrow from banks

By Norma Cohen

POLYTECHNICS will for the first time be allowed to borrow money from banks for capital projects under new rules expected to be announced shortly by the Department of Education and Science (DES).

The moves, sought by the nation's capital-starved polytechnics – higher education institutions offering degree courses – will dramatically improve institutions' ability to replace ageing and outdated buildings and equipment.

DES, after consulting with the Treasury Department, is preparing to announce that polytechnics will no longer be barred from using their assets as collateral on securing bank loans.

Institutions will thus be allowed to raise funds for new buildings by arranging mortgages on existing properties.

Polytechnic borrowing capacities had been subject to the same restrictions as other government entities when they were run by local education authorities.

While short-term borrowing for cash management purposes is allowed, they have been barred from long-term capital borrowings secured by any land or buildings purchased with government funds.

Nicholas Ridley: wider EC

Ridley calls for more choice in EC

By Michael Cassell, Political Correspondent

A WIDER European community, within which individual member states would be free to choose the extent to which they participate in economic and monetary union, was proposed last night by Mr Nicholas Ridley, the Trade and Industry Secretary.

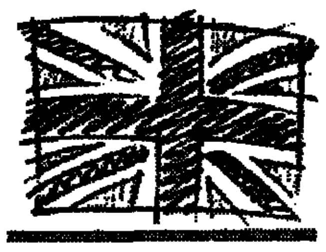
Mr Ridley's speech to the Bruges Group – a group of academics and economists opposed to European federalism – will again highlight the government differences about Britain's approach to the development of the community.

Though positive in tone about the potential for the EC to become "the basic building block of united Europe", his suggestion that governments could opt out of EC arrangements, depending on national instincts or economic circumstances, will not find favour with the Foreign Office or among other enthusiastically pro-Europe colleagues.

His remarks follow the more softer tone on Europe recently adopted by Mrs Thatcher, who nevertheless retains deep misgivings about the federalist stance being pursued by some other member states.

Mr Ridley said it would be unwise for EC members to forget the other nations of Europe as they plotted the course for the political and economic future of Europe.

BRITAIN IN BRIEF



Shares hit by property cutbacks

Great Portland Estates one of Britain's largest property companies sent property shares tumbling yesterday after it announced the value of its City of London office investments had fallen by more than a sixth.

The company blamed over-development in the City which had led to too few tenants chasing too many buildings.

Mr Richard Peskin, the group's chairman said: "In the past six to nine months most areas have seen a sharp deceleration in rental growth and some sectors have experienced an actual downturn."

The Halifax, meanwhile, Britain's biggest homes loans organisation, reported that the pace at which house prices have been falling accelerated last month.

Lex, page 20

Tebbit warning to journalists

Mr Norman Tebbit, former chairman of the Conservative party, warned yesterday that threats to press freedom in the UK had not gone away despite the apparent opposition of the Calcutt Committee to legislation on privacy.

Speaking at the British Press Awards, where FT journalist Alan Friedman was named business reporter of the year "for a clear and important investigation of Iraqi missile purchases,"Mr Tebbit said journalists should never consider themselves above the law.

Even to consider that it might be so could precipitate a threat to press freedom and to the political system.

The International Reporters of the Year, in the awards sponsored by the UK Press Gazette and the Post Office, was Jonathan Mirsky of The Observer for his reports from Tiananmen Square.

Scottish bank chief named

Mr Bruce Pattullo, group chief executive of Bank of Scotland, is to succeed Sir Thomas Risk as governor of the bank in a year's time. Mr Pattullo, who currently also holds the position of deputy-governor, will continue to be group chief executive "for the time being," Sir Thomas announced at the bank's annual meeting in Edinburgh yesterday. He would not say how long Mr Pattullo, who is 52, would retain both posts.

Sir Thomas Risk, who is 68, has been governor, a post equivalent to the chairmanship in other banks, since 1981.

Greek court drops gun case

A Greek tribunal yesterday dropped all charges against British lorry driver Paul Ashwell, accused of transporting parts for an Iraqi supergun.

Mr Ashwell, 26, from Northampton, England, was arrested on April 20. His truck was laden with a 29.5-ton steel pipe which Greek authorities said was bound for Iraq.

European bank aid for N Sea

A European Investment Bank loan worth £40m (54m ecu) is to aid the £1.5bn development of the North Sea's Bruce gas field.

The loan, announced yesterday by the Luxembourg-based bank, will help Hamilton Oil, which owns 16 per cent of the field, to raise its £260m share of the development costs.

The Bruce field, 250 miles north-east of Scotland, is the biggest in the North Sea currently awaiting Government authorisation.

The EIB said its loan was part of the European Community's bid to increase its energy security by developing indigenous resources.

UK bus driver may face charges

The driver of the holiday coach (pictured above) which crashed killing 11 Britons will probably be charged today with involuntary murder, the French prosecutor said last night. Mr John Johnston was at the wheel of the luxury double-decker coach when it careered off a motorway near Joigny, south of Paris and into a ditch after a tyre burst early on Sunday.

French officials said the coach had been travelling 22mph above the speed limit.

Britain, meanwhile, is to increase pressure on the European Commission to make the fitting of seat belts on coaches compulsory following the crash, Mr Cecil Parkinson, the Transport Secretary, said yesterday.

Attention on money supply

The Bank of England and the Treasury have been urged to pay greater attention to the growth in the money supply in the battle against rising inflation.

The Institute of Directors has responded to a call from the Bank of England for better definitions of money other than M0, the narrow measure of money supply which consists mainly of notes and coins in circulation. The Bank has been canvassing comments on monetary aggregates in order to better guide economic policymaking.

The IoD has replied to the Bank's discussion paper suggesting that tighter mechanisms for monitoring expansion in the money supply would ensure more effective monetary control.

Vanity Fair targets UK

A US magazine praised for its "uninhibited cheekiness and superb sense of timing" is planning to take on the UK market early next year.

Vanity Fair, a magazine revived in 1983 after being dormant for more than 47

UK NEWS

issan UK group hit by ghtening market for cars

vin Done, Motor Industry Correspondent

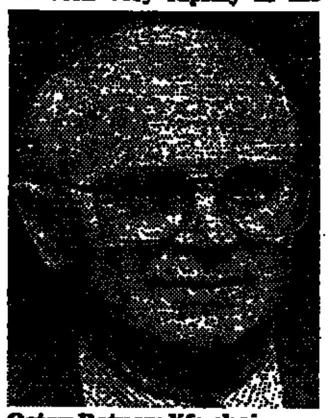
rofitability of the group npanies formerly known ssan UK, which include rgest privately-owned UK e importer and the larg-(retail motor group, fell y last year as conditions ned in the UK car mar-

companies, controlled r Octav Botnar, the 76-old West German entre-ur in the role of chair-and managing director, reorganised in 1988 with reation of Nissan UK igs (NUKH) and Automo-inancial Group Holdings I).

KH, through its subsid-Nissan UK, holds the sive franchise for import-nd distributing Nissan and commercial vehicles UK, while AFGH is the t UK retail motor group sales of around 130,000 ncluding 65,000 new Nis-ars and 65,000 used cars. ording to the first annual ts for the companies ed yesterday, the pre-tax s of Nissan UK Holdings 15.7 per cent in the year y 31, 1989 to £69.3m from a year earlier, despite a er cent increase in turn-over to £950.6m from £780.3m.

The pre-tax profits of Automotive Financial Group Holdings rose by 26.0 per cent to £63.6m from £50.5m, while turnover jumped by 83.8 per cent to £919.4m.

AFGH expanded its dealer network very rapidly in the last financial year with the opening of 27 dealerships at a cost of £18.8m, although it has been forced to cut back again in recent months.



Octav Botnar: life chairman

The dealerships were only barely profitable, reporting profits of only £7m. Nearly half of AFGH's profits were made by its Nissan Finance UK finance operations which increased profits to £30m from £23m a year earlier.

According to the annual reports the ultimate holding company of NUKH is the Panama-registered European Motor Vehicles Corporation, while the ultimate holding company of AFGH is Union Bank of Switzerland (Luxembourg), the Luxembourg subsidiary of Switzerland's biggest bank.

Mr Botnar is chairman and managing director of both NUKH and AFGH and yesterday's company reports indicate that his salary was more than doubled in 1989 to £406,000 from £175,000 in the previous year.

According to Nissan UK a condition of Mr Botnar's transfer of his shares to a trust in 1974 was that he should remain chairman and chief executive "for life with full powers."

Mr Michael Hunt, an executive director and beneficial shareholder of 10.63 per cent stakes in both companies received total dividends of £6.37m in the 1989 financial year.

Slump hits production of vehicles

By Kevin Done, Motor Industry Correspondent

UK vehicle production declined sharply in the first three months of the year, as output was hit by both the fall in demand in the domestic market and by industrial action at some Ford assembly plants.

Truck makers have been hit hardest by falling sales and all the UK manufacturers have suffered a collapse in output, with production levels in the first quarter barely half of those achieved a year ago.

The two leading UK truck producers, Iveco Ford and Leyland DAF suffered falls in output of 47.3 per cent and 31.8 per cent respectively in the first quarter.

Car output in the first quarter was 8.2 per cent lower than a year ago, compared with the overall decline of 23.3 per cent in commercial production.

Ford's car output was nearly 26 per cent lower than a year ago, largely due to the long-running industrial action at its Merseyside plant.

Output at Nissan's Sunderland assembly plant was 27 per cent lower than a year ago, as demand for the Nissan Bluebird declines.

C experts may rule ı 'mad cow' disease

m Dickson in Brussels

ANEL of independent nary experts may deter-the outcome of today's talks in Brussels on the of British beef.

EC's scientific veteri-committee will convene pecial session this morn-review recent develop-concerning BSE, or mad isease, and will pass on nclusions to an emer-Council of EC Agricul-Ministers this afternoon. ay's meetings, called by ıropean Commission, are led to resolve the bitter row precipitated by h and German bans on sh beef, imposed in ıse to "consumer fears" 3SE.

UK, supported by Brus-ays the actions are con-to EC law and insists here is no risk of the e, which has afflicted ands of British cattle, ling to or endangering ı beings. Britain main-the embargoes are alistic and designed to t domestic markets.

Margaret Thatcher, the Minister, yesterday d the European Commission for its prompt action in condemning bans on British beef imports.

She described the bans imposed by France and Germany as "quite illegal", and suggested that they had been imposed as a protectionist measure in the interests of French and German farmers.

Mrs Thatcher stressed that the EC's veterinary experts had supported the action taken by the Government over "mad cow disease" and agreed that British beef was safe.

Mr Raymond MacSharry, the EC's Agriculture Commissioner, will be advising his colleagues today to formally open legal proceedings against Paris and Bonn. But everyone in Brussels knows that this is a lengthy process and that the best hope lies with political negotiations among the 12.

Even well-informed observers were last night unwilling to make predictions about today's outcome but no one doubts the significance of what the "vets" committee will decide. This group made up of independent veterinary experts – often academics – from the member states.

Beaches to display cleanliness notices

By David Thomas, Resources Editor

BRITAIN'S coastal resorts threatened with possible prosecution by the European Community are to be asked to display regularly updated information on the cleanliness of water and the state of their beaches by the Government.

It follows the disclosure last week that the European Commission is to prosecute Britain because the beaches at Blackpool, Formby and Southport do not meet EC standards.

The move, announced yesterday by Mr David Trippier, Environment Minister, is part of a drive by the Government to improve the quality of beaches, an important asset for Britain's leisure industry.

Mr Trippier said 76 per cent of the UK's 440 leisure beaches met the quality standards contaminated in the EC Bathing Water Directive last year, compared with 67 per cent in 1988.

He was speaking at the presentation of "blue flag" awards to 29 UK beaches. Blue flag awards, endorsed by the EC, are made to beaches throughout Europe which meet a range of environmental criteria, such as water and beach quality, clearance of rubbish and the provision of environmental information to the public.

Mr Trippier acknowledged, however, that the standard of British beaches still lagged behind those in some Continental countries: "We are well on the way to bringing all our bathing waters up to EC standards – but we have more to do in making our beaches fit for us all to enjoy."

Ms Elizabeth Doyle, co-ordinator of the blue flags scheme, said that many British beaches had failed to win an award because of rubbish dumped into the sea, problems from marine oil and sewage-related pollution.

BEACHES WINNING BLUE FLAG AWARD	
Spain	137
Denmark	128
France	102
Portugal	101
Greece	83
Irish Rep	48
UK	29
Italy	28
Netherlands	21
W Germany	17
Belgium	4

IE GUINNESS TRIAL

efence criticises 'flaws and innuendo' prosecution case against Saunders

aymond Hughes, Law Courts Correspondent

defence case began day in the sixteenth week Guinness trial at South-Crown Court, London, Mr Ernest Saunders took itness stand.

former Guinness chair-ınd chief executive is one ır leading City figures ɜd of involvement in an dly unlawful share sup-operation mounted by ıess during its takeover with Argyll for the Dis-drinks group in 1986.

co-accused are Mr Gerald ın, chairman of the Heron , Mr Anthony Parnes, a tockbroker, and Sir Jack ., the millionaire finan-All four deny the charges against them on the 24-indictment.

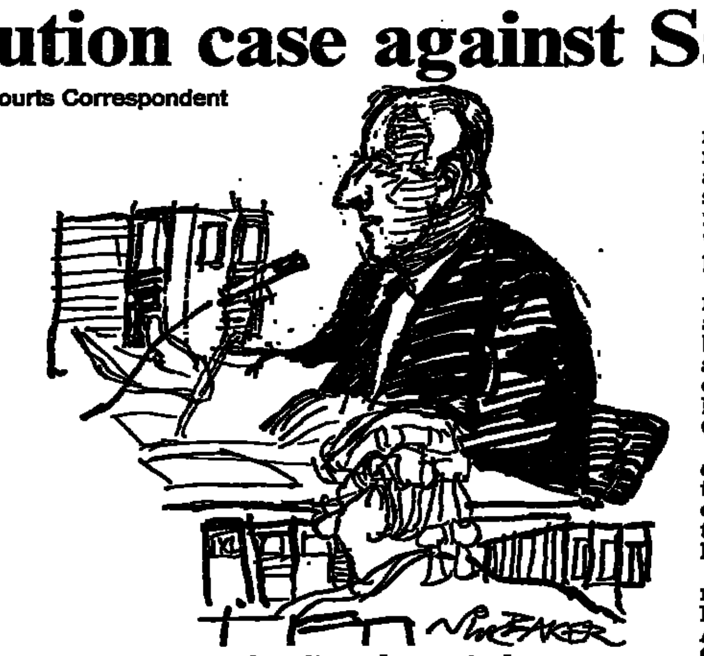
he centre of the case are of payments made by ess to some of its sup-s allegedly by way of nities for losses on the of Guinness shares or as is fees.

n the trial opened in Feb-Mr John Chadwick, QC, uting, described the four en who were greedy and ınt and who thought they above the law."

prosecution, which 50 witnesses, alleged that ır had committed distinct aked criminal offences t they had concealed the support operation; then ıad submitted, or in the of Mr Saunders given ıctions to pay, false es so that they could col-eir illegal rewards.

Saunders faces 15 s: eight of false account-vo of theft from Guinness otal of £8,075,000, two of iracy to contravene the Prevention of Fraud ments) Act, two under ı 151 of the 1985 Compa-Act of authorising Guin-o give financial assistance ıe purchase of its own ., and one of destroying ıents.

ning Mr Saunders' e yesterday, Mr Richard on, QC, said the prosecution had called a selection of witnesses in an endeavour to prove that Mr Saunders had been guilty of numerous serious criminal offences.



Ernest Saunders in the witness box yesterday

The prosecution could succeed only if it proved its case beyond reasonable doubt, Mr Ferguson told the jury.

"Even at this stage of the evidence we would suggest that it will be difficult – indeed we would say impossible – to put your hand on your heart and to say that you are sure beyond reasonable doubt."

Mr Saunders's role was central and the jury's verdict would provide the conclusive answer to the allegations and innuendoes which had been raised against him.

Mr Ferguson said Mr Saunders had the right not give evidence. "Ernest Saunders could, through me, say to you, just look at what remains of this titanic prosecution, supported and buttressed by all the resources which have been available to it."

Mr Saunders could also say, look at Mr Olivier Roux, Guinness's former director of finance, said in the prosecution's opening speech to be in a unique position to tell the jury what had happened.

Mr Ferguson said the prosecution needed Mr Roux to prove, or attempt to prove, guilty knowledge on the part of Mr Saunders.

"He is an essential, if not the essential, link in the prosecution case – a link which we would say has turned out to be flawed."

The rest of the prosecution case, Mr Ferguson said, had been an attempt to substitute quantity for quality. "Other than through the discredited testimony of Mr Roux, where do you find evidence to convince you that Ernest Saunders knew the material details of his financial director's machinations in the City?"

Mr Ferguson went on to consider some of the other prosecution witnesses. He spoke of members of the Guinness family "clinging to their past glory while no doubt basking in the present value of the Guinness share price, a price attributable in very large measure to the man they dumped – Ernest Saunders."

Mr Ferguson referred to Mr Howard Hughes, a senior partner in Price Waterhouse, Guinness's auditors, describing him as "the hear no evil, see no evil, speak no evil auditor – speak no evil, we would say, except when self-preservation prompted."

Mr Ferguson referred to the new non-executive directors appointed to the Guinness board at the instigation of City authorities in late 1986, singling out Sir Norman Macfarlane, Sir David Plastow and Mr Anthony Greener.

He said they were "more concerned with their City image than in doing justice to the chairman and chief executive of the company whose board they had been asked to join."

The new non-executives had not liked Mr Saunders' style. Perhaps his face had not fitted. After all he had achieved for Guinness he had become dispensable, Mr Ferguson suggested.

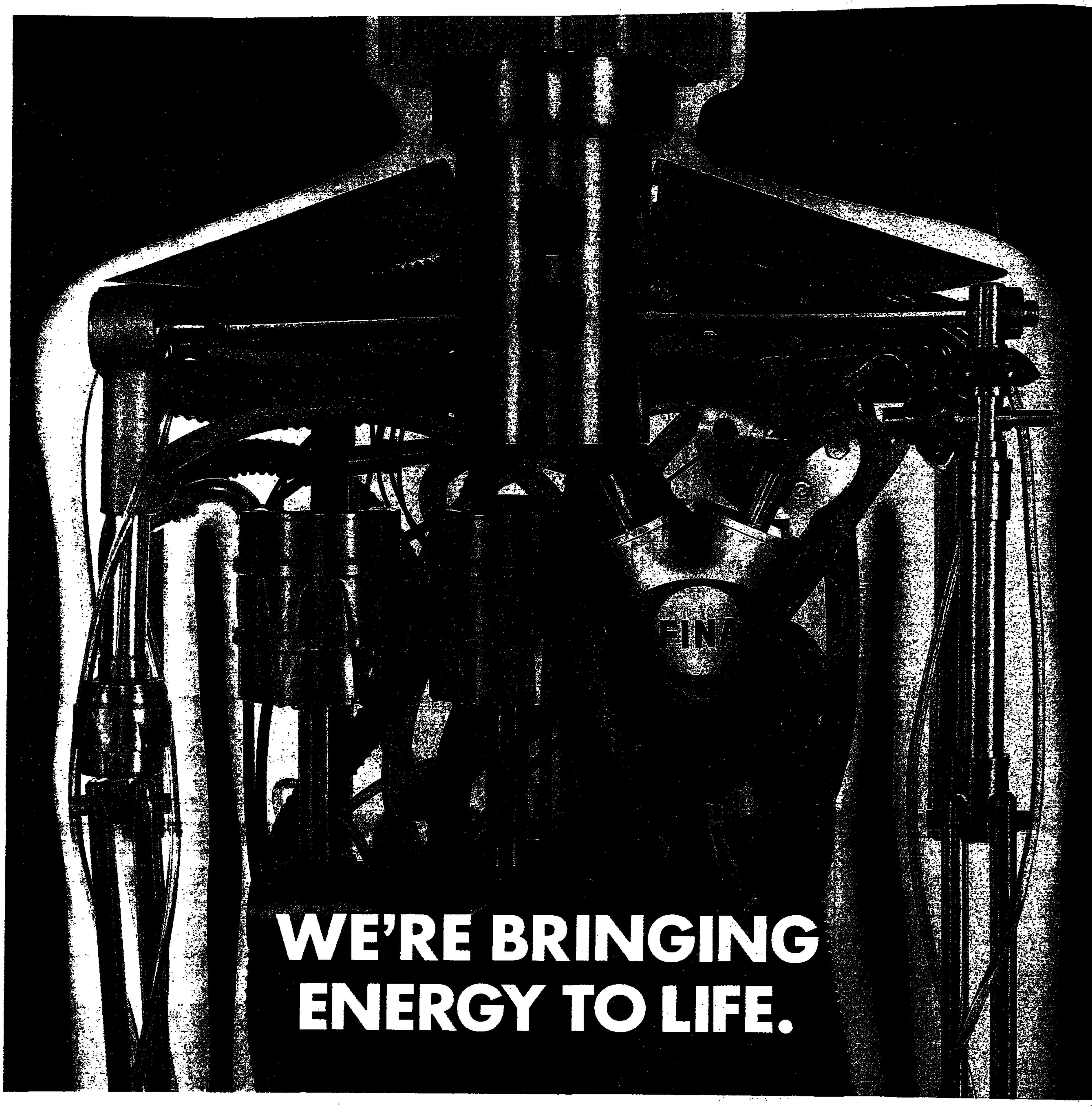
Mr Ferguson reminded the jury that Mr Saunders had already answered the allegations against him when interviewed by the DTI inspectors. "I could say, and it would be difficult to contradict, that it would be inhumane to put him through that ordeal again," Mr Ferguson said.

Whatever happened, Mr Saunders was a ruined man. He had no means of earning a livelihood. His personal life was in ruins.

His health was undermined and he had been cast aside by the company he had served loyally for five years.

However, Mr Ferguson said, Mr Saunders still had something to fight for – his credibility. That was an issue for the jury and it was vital that the jury should trust him.

Although Mr Saunders had a perfect right not to go into the witness box, and not to have that held against him, his fear was that if he did not do so the jury might think he had something to hide. So far, Mr Ferguson said, the jury had heard only selected highlights. "Now you will hear the whole story."



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TECHNOLOGY

npact disc s on TV

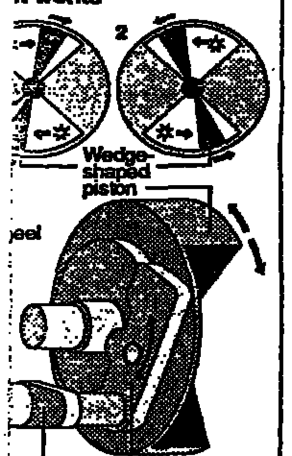
ɪE computer system exploits compact disc ology to give sound and graphics will be on is September from PC list Commodore.
CDTV player, which ll for £699, looks similar compact disc player graces many a home. side the box, alongside c player itself, is a odore Amiga computer. en plugged into the tele- set the machine can d to play games or, se it has CD quality , for learning lan- s. It can also be used r listening to music. perate the machine chnophobic can use an ed handset, similar to sed to change the pro- nes on the television, infra-red keyboard, -type device or joystick. CDTV player uses discs of which has the equiva- apacity of 700 floppy or 250,000 pages of text.

little engine t could

E-shaped pistons oscil- ideways like a pendulum lock to power a new n of internal combustion e, writes Lynton McLain. Quadratic engine use only half the fuel ventional engines, say pers Supertron, of Lon- The engine is less than ghth of the size of con- nal engines of equiva- orsepower and would 0 per cent less to mass ce.
s is possible because gine has only three g parts: a pair of pis- linked to a crankshaft, drives a flywheel. with a conventional car e, the pistons move in nse to the explosion fuel inside the combus- hamber. But instead of g up and down, the pistons oscillate side- through a 68 degree gainst two fixed wedges enclose the four com- n chambers. The fuel des against the fixed es, moving the pistons otating the crankshaft.

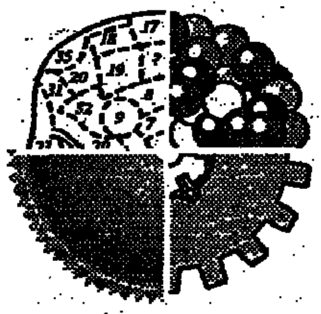
adratic engine

it works



ping hand in ping steady

Y'S camcorders — a nation of video camera ideo recorder — have ne very small and light. s they shrink in size they ne more difficult to con- nd a wobbly hand can spoil the results.



WORTH WATCHING

by Della Bradshaw

Panasonic Consumer Electronics, part of the Matsushita group, has devised an electronic method of compensating for the wobbles in its latest camcorder, the NV-S1.

It uses a device called the Electronic Image Stabiliser, which analyses the picture as it is being processed to eliminate the judder. It does this by measuring how far each recorded picture element has moved between one frame and the next. By analysing the variations it can judge whether the movement is the result of a shaky hand or the camera tracking a fast moving object.

If the shaky hand is the culprit the camera automatically cuts off the edge of the picture, and enlarges the central stable part to fill the tape.

Tron chips show their strength

MOVES by the Japanese electronics industry to break the US hold on microprocessors have come a small step nearer with the announcement of the latest Tron chips.

Semiconductors for Tron (the real-time operation system nucleus) are being produced jointly by Mitsubishi Electric, Hitachi and Fujitsu. They have jointly announced a pair of Tron devices: a 32-bit microprocessor incorporating seven other functions, previously done by separate chips; and a cache controller memory device which works with the processor chip.

Tron has been devised as a standard architecture for computer-controlled systems, from computers to traffic control systems.

Magnesium wins the cycle race

MAGNESIUM is finding its way out of the laboratory and into the commercial world.

This year's International Magnesium Association design accolade has gone to a process which moulds a solid magnesium one-piece bicycle frame in just 52 seconds. Traditionally, cycle frame makers have welded several lumps of tubular steel or aluminium together.

The frames, made by Kirk Precision, of Chelmsford, Essex, start life as molten magnesium, which is injected into a mould in just a fraction of a second, and there solidifies. (The magnesium comes from Kirk's parent company, Norsk Hydro, of Oslo.)

A solid magnesium frame weighs just two kilograms.

Contacts: Commodore: US, 215 344 3040. Supertron: UK, 081 998 4372. Panasonic: Japan, 3 436 4507. Mitsubishi Electric: Japan, 03 218 2111. Kirk Precision: UK, 0245 325821. Norsk Hydro: Norway, 2 432 100.

Worth Watching will now normally appear on Wednesdays and Fridays.

Clive Cookson describes how Levi Strauss has increased manufacturing and labour productivity

A good fit on the factory floor

At first sight, Levi's jeans factory in Whitburn, Scotland, is a completely traditional textile plant. The division of labour follows the pattern established during the Industrial Revolution, with most of the work done by women on sewing machines. A man runs the factory, but on the shop floor men are apparently restricted to ironing partially finished clothes and carrying material from one job to the next.

Everything is done with manual equipment. There are no signs of robots, computer-controlled machines or automated guided vehicles.

However, as the eyes focus on the blue blur of women in overalls working frenetically on sewing machines, it becomes clear that the workforce is, in fact, computerised. Every worker has a hand-sized computer terminal attached to her machine.

Levi Strauss, the world's largest clothing manufacturer, is an enthusiastic user of electronic data interchange (EDI) to link retailers into its computerised distribution network. More than a third of Levi's US retail customers order and pay for new supplies electronically.

Now the company is beginning to computerise its manufacturing. The first step is to introduce "real-time production control" in its 30 US and 11 overseas factories. The chosen system, Satelite Plus, has gone into seven US plants; Whitburn is the first installation in Europe.

Real-time control means recording production events as they happen and providing up-to-the-minute information to management and workers.

As a "bundle" of material (containing 60 pairs of jeans-in-the-making) moves through the factory from one sewing operation to the next, each operator swipes its unique bar-coded label through a scanner built into her terminal. She also uses the keyboard to clock on and off the job and to call attention to any problems with the work, using a short code.

The central computer, an IBM AS/400, instantly records all data entries on hard disc and credits each operator's payroll account with the work done.

An important reason for introducing Satelite Plus was to automate the outdated piecework payroll system, according to Sam Whitefield, Whitburn's factory manager. "It involved the time-wasting and inaccurate method of tearing off tickets and sticking them on to a gumsheet."

It takes some courage for the visitor to interrupt the operators feeding denim so determinedly through their machines. One wonders whether they will consult the computer afterwards to find out how much money they lost by talking to a journalist instead of sewing jeans. But all questions are answered with traditional Scottish courtesy (though for someone who is not used to the local West Lothian accent the answers can be hard to catch among the factory noise, with Radio 1 blaring in the background). It turns out that workers like the new system not only because they are paid more accurately for their work than with the old manual method but also because they can call up details of their pay and performance at any time.

Arlene Galloway says she is delighted with the system. "It's easy to use, fast and you can pace yourself better throughout the day. It's definitely increased my earnings."

"We have found the system very motivating," says Anne Gibb, factory convenor for the National Union of Tailors and Garment Workers. "Many of us thought there was no way we could increase our efficiency; this is a factory where productivity levels have always been high.

"The factory runs on an open door policy where rest breaks are taken whenever we like and we've started to see how much it costs us to have them. We can now see what we're earning any time we like and we've noticed that people are taking fewer and shorter breaks and therefore increasing their productivity and earnings." Satelite Plus has been running at Whitburn since last autumn. "Within these six months there has already been a 5 per cent increase in operator performance," Whitefield says.

Apart from increasing labour productivity, the system has brought substantial cost savings by enabling managers to keep track of work in progress across the factory. "Having information about what stage an order or bundle is at is really useful to the supervisor," Whitefield says. "Now the order goes through in a better sequence and is completed more quickly and efficiently."

Whitburn supervisors and line managers can devote more energy to quality control and balancing the production lines, now that they no longer have to spend time on production and payroll paperwork. "It's magic," says Edith Gilchrist. "I can now spend at least an extra hour a day on the factory floor."

Whitefield says that "line balancing" turns out to be one of the most important benefits of the system. "Managers can play 'what if' scenarios. If one job is over target and the other under target, you can re-assign your available operators and see on screen how to make it all balance cost effectively."

The immediate benefit of Satelite Plus for quality control is that bad work can be attributed more quickly to a particular operator and/or a faulty machine. Later, the system will be used for statistical quality control.

The Satelite Plus system at Whitburn — with 430 operator terminals, 17 workstations for managers and supervisors, and three printers to produce bar coded labels — cost a total of $450,000, including all hardware, software, installation and training expenses. Although the savings generated so far are hard to quantify, it seems likely to have paid for itself in little more than a year.

Satelite Plus computer terminals at Levi's Whitburn factory in Scotland

Satelite Plus is produced in the US by Leadtec, a Californian subsidiary of the Willcox & Gibbs group; European installations are handled by Eildon, a subsidiary based in Galashiels, Scotland. Although Levi is the largest single user, several other US clothing companies, including Van Heusen shirts, have large installations. The only other user in Europe is the Bairdware trouser factory at Brierley Hill in the West Midlands.

Mike Wilson, managing director of Eildon, believes that European garment manufacturers are too nervous about real-time production control and that they waste time installing small-scale trial systems. "Experience shows that trials often don't work because the company does not put in the resources and commitment required to make them work," he says. "We refuse to do trial systems. I just turned down a Courtaulds company which wanted me to put one in."

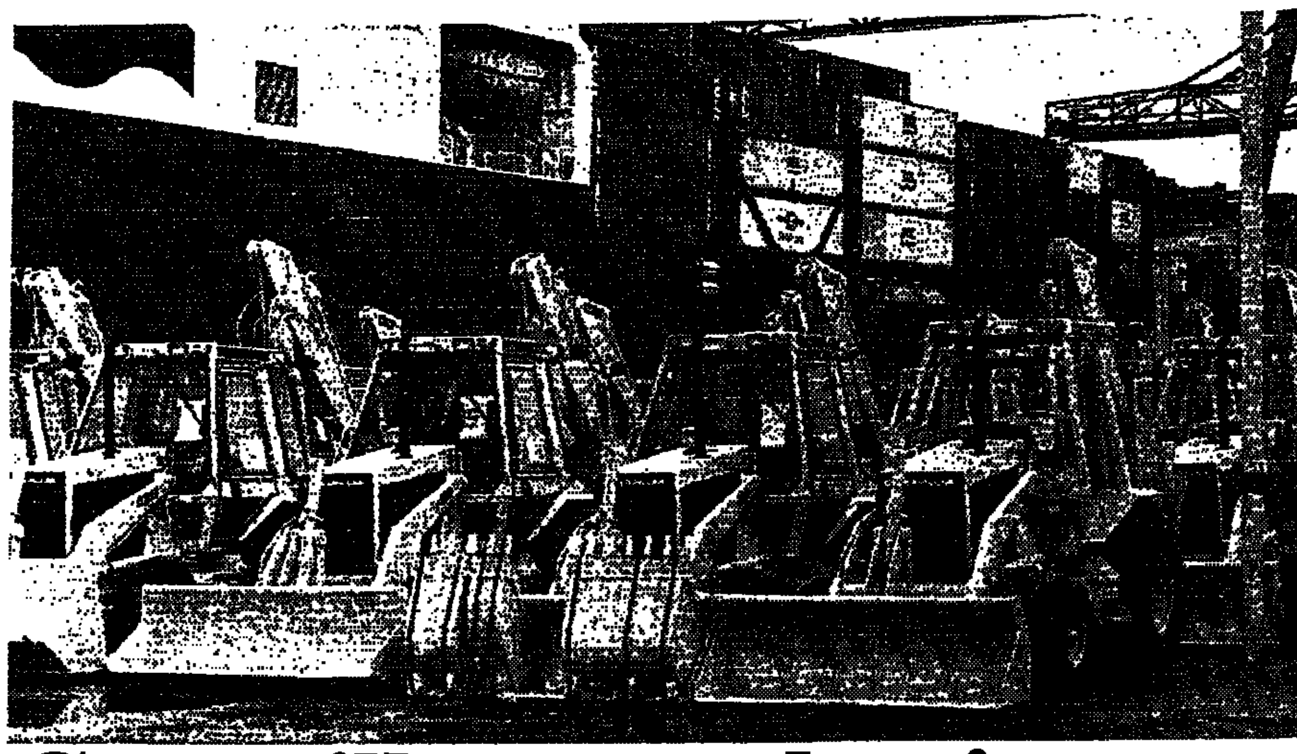
In the long term, Levi Strauss sees Satelite Plus as the foundation for Computer Integrated Manufacturing (CIM). As computer-controlled equipment is introduced into Levi's factories, it will be linked into the same production control system as the human operators' terminals.

"We don't yet have a complete CIM strategy in place," says Keith Turner, CIM systems manager at the company's San Francisco headquarters. "We're looking at a number of different things, including robotics. One problem we have is that fabric is very difficult to pick up with a robot." To carry material around its factories, Levi is experimenting with wheeled Automatic Guided Vehicles and overhead conveyor systems.

But the most important long-term development will be to connect Satelite Plus systems in the individual factories to LeviLink — the electronic network which the company uses to communicate with retailers and suppliers.

Already the Whitburn system is linked by modem with Levi's European headquarters in Brussels. This enables sales executives to send production orders for new jeans directly down the line to the factory.

"At the moment in the US we trigger manufacturing in units of 10,000," Turner says. "The idea is that eventually, whenever someone buys a pair of jeans, it will automatically trigger the production of another pair. But I think we're about three years away from that."



Caterpillar gets dug in to $2bn factory modernisation

Nick Garnett describes how the US construction equipment maker has maintained its number one position, but at a cost in both manufacturing and cultural terms

The small city of Peoria on the Illinois river was the setting in 1936 for a little-known movie called Earthworm Tractors which starred Joe E Brown. The picture told the story of Alexander Botts, ace earthmoving machinery salesman and the kind of up-and-at-'em businessman whose energy helped build America's manufacturing wealth.

Earthworm Tractors was loosely based on Caterpillar, a company which exactly fitted the mould of the big and successful US corporation in the making. Having relocated to Peoria in 1925, Caterpillar was establishing a dominant position for producing heavy machinery for road-building, digging and hauling.

When Earthworm Tractors was filmed, Caterpillar already employed 9,000, mainly in the mid-West, and its manufacturing technology had allowed it to establish in Peoria the world's first diesel engine production line.

In the past few years, Caterpillar, the world's biggest earthmoving and construction equipment maker with sales of $11bn, has come to represent something else. It has been elevated as a symbol of the rejuvenation of what was once termed Rust Belt America after the shocks and catastrophes which befell US manufacturing in the early and mid-1980s.

The regeneration of traditional US manufacturing industries is a much more patchy affair than America likes to think. The mixed fortunes of its steel industry testify to that. But Caterpillar, which makes equipment from a $15,000 forklift to a $1m 1200 horsepower dump truck, appears to be the genuine article.

In the early 1980s, sliding worldwide demand for machines, the high dollar and Japanese competition sent Caterpillar into a tail spin. In the three years starting in 1982 when the company made its first loss for 50 years, Cat racked up losses of $953m.

Sales plummeted from $9.2bn in 1981 to $5.4bn in 1983 and had recovered only to $8.3bn by 1987. In that year Cat's workforce stood at 53,800, down 25,000 from its 1979 peak. Nine factories from its empire of more than 40 plants were shut.

The past few years have seen a very different story. Cat's sales have climbed steeply to $11.1bn last year. Though it came back to profit in 1985 ($198m), 1988 was the first bumper year with profits topping $616m. Though they slipped to just under $500m in 1989 – and Cat might be hard-pressed even to match that this year – that is a far cry from the lean years of the mid-1980s.

Moreover, Cat has maintained its market share through the decade against Japanese competition. Though it identified Komatsu of Japan as its main competitor as early as 1970, Caterpillar has maintained its number one position, increasing its market share in the US and now accounting for perhaps 15 per cent of world construction machinery sales.

But Caterpillar also reflects something basic and crucial not only to its own future but to that of large swathes of US heavy manufacturing. To maintain its position, Caterpillar is engaged in one of the world's largest factory modernisation programmes costing well over $2bn.

Its experience may show that even a top-class US industrial company like Cat faces a complex mix of problems in attitudes, habits, training and education when it comes to factory modernisation that are probably more ingrained than in Japan or in the main European economies of West Germany, France and Italy.

Such problems probably account for some of the well documented mistakes in factory automation at General Motors and the problems in manufacturing that Boeing, the world's most outstanding aircraft designer has experienced.

Modern factories require new skills in understanding workflows. Computerised interlinked production machinery of the kind Cat is introducing requires higher numeracy among key shopfloor workers.

Because such equipment offers far more options in how to design and run factories than is the case with traditional manufacturing it also demands new types of skills among factory planners. And such equipment requires new attitudes to problem-solving and team-working.

"We have sweat blood and tears," says Bernie Sorel, company vice-president responsible for manufacturing. "We are having a lot of success but it is not without a great deal of pain and a lot of hard work."

Don Fites, Caterpillar's president and chairman from July 1, says it is no coincidence that Sorel, a Belgian and his boss at Caterpillar, Pierre Guerindon, president responsible for manufacturing, are Europeans and not Americans. "A lot of the top manufacturing people are in Europe," he says. Both men were brought to Peoria from Cat's European plants.

Caterpillar conceived a plan in 1985 called PWAF (Plant With a Future) to modernise its production facilities and began putting it into practice two years later. The programme, currently estimated to cost $1.4bn with a further $700m for anticipated equipment, is not due to be finished until 1993-94.

Fites splits no hairs about the importance of PWAF. "It is absolutely critical. It's the cornerstone of our long-term strategy of becoming a low-cost producer."

Caterpillar has received wide admiration for tackling the programme; it includes 77 projects, 67 of which are designed to produce an aggregate drop of 18 per cent in production costs and a more than one-fifth fall in inventory.

It has already had some impact.

In the fabrication area of the dump truck production plant at Decatur, for example, a $35m project has already reduced production costs by 12 per cent and cut fabrication times from 20 to five days. Moreover, while Cat has been digging up factory floors and installing new machinery, it says it has met all its deliveries to dealers – no mean achievement.

Caterpillar's 'Plant With a Future' projects*

	1989	1990	1991	1992	1993	Goal
	%	%	%	%	%	%
Capital spent	45	69	85	97	100	–
Employment reduction	7	14	21	27	30	33
Inventory reduction	9	10	12	16	20	22
Throughput days reduction	31	53	67	76	79	79
Product cost reduction	4	8	10	13	15	18
Return on investment	–	–	–	–	22	30

*Figures represent cumulative totals relating only to 67 of the 77 projects in PWAF development programme and involve $1.72bn of $2.15bn total programme spend

But Caterpillar makes no secret of the hard grind PWAF is turning out to be. It is already a year behind schedule and has over-run on costs by about $400m.

One of its principal aims – the linking up of all production and related divisions through a fully integrated computer system – has been abandoned as too ambitious.

Caterpillar has also found that at some plants, costs have risen unexpectedly, though it says only temporarily. For example, in the past two years of PWAF at the wheeled-loader plant at Aurora costs have unexpectedly risen 5 per cent though they are targeted to fall by 17 per cent from 1987 levels by 1993.

Fites is not unduly worried. "I'd give PWAF a B-plus. The semester is not ended yet so it might be an A-minus." Some of the unexpected problems and cost over-runs Cat has experienced undoubtedly result from hurdles any company might have faced.

Debugging automated production machinery is often a lengthy process; some of Cat's cost over-runs result from the inflationary effects of being one year behind schedule; and currency movements have made machinery purchases more expensive.

But Cat concedes that some of its problems face any company in the US having to confront education and training levels, labour habits and workforce attitudes.

Sorel puts his finger on one point. "In Japan people running even small manufacturing systems are professional engineers. In Europe they would probably be technicians. Here in the US we sometimes start with people with very little education." By contrast, he implies, Cat's task of modernising its factories in Europe has become somewhat easier.

At the huge 1m square foot KK plant in Peoria which manufactures gearbox parts, Bill Rohner, the engineering manager, is a 38 year-old engineering graduate and MBA. But in the factory's 55-member programme and planning department only a fifth of the staff are graduates.

Cat appears to be putting in a big effort to rectify this. For example, one third of non-graduates in KK's planning department are being put through a four to five year degree course. Overall, Cat says, production employees have been spending 5 per cent of their normal working time being trained.

In 1989, Cat's total direct expenditure on training was $71m – and $125m when wages and benefits of employees participating in training is taken into account.

Referring partly to what he believes are inadequacies in the US education system, Fites says: "I do not think it's a matter of literacy. We don't need Shakespearian scholars. But numeracy is important. We have to re-educate people in the short term and change their approach. Who is going to pick up the tab for all this is one question. In the short term it is going to be US industry."

Cat has decided to bring industry into education. Company managers have joined educational bodies such as the Peoria school board and the Illinois central college foundation.

Fites pays tribute to changes in attitude among middle managers and shop floor workers. "A decade ago that would not have happened. A fear factor has certainly helped the climate but if you don't give leadership it will not happen."

But Cat concedes that the battle to shift attitudes is still a burning issue. "Manufacturing on the shop floor is now about problem solving, statistical process control and maintenance technology," says Sorel. "But machine operators have a tradition of always wanting to intervene and they have to be stopped from doing that."

Myron Monge, a manufacturing "module" manager at KK, describes another problem Cat has had in persuading older machine operators to operate what are termed manufacturing "cells".

In Monge's production area, one man used to run one machine. Now each manufacturing cell has six machines – for milling, turning, grinding, drilling and shaping – and only two men are in charge of all those computerised machines per shift.

Since 1986, the United Auto Workers Union, the principal labour organiser at Cat, has allowed the company to use a form of bidding system for new jobs. "But the older, experienced guys did not want to bid for these new jobs so we got young people into the cells and that was not too successful," says Monge.

He says now that older machine operators are "coming over by the flock" but part of the reason is through fear of losing their jobs rather than a whole-hearted embracing of new methods.

Cat also recognises that in the US, job demarcation is still a drag on efficiency. A few years ago Cat had an astonishing 260 shop floor job classifications. That has now come down to 60 but it is still very high. At its plants in Belgium and France, most of those job definitions were done away with some years ago.

Fites makes an uncomfortable comparison with Diamond Star, the new Mitsubishi-Chrysler car plant at Bloomington up the road from Peoria. There are just three job classifications there.

Fites says he would like that kind of set-up, but says, nevertheless that there has been a strong spirit of co-operation at Caterpillar across all its US shopfloors. "It could be reversed but I don't think that will happen."

At the moment Cat is introducing big changes in its management structure, pushing decision-making down, creating a series of new profit sectors, and, incidentally, giving new duties to its senior staff, including both Sorel and Guerindon. It is convinced that PWAF will work and that Cat will remain top dog in the industry. Both of these beliefs will almost certainly be proved right.

But Cat has recently had two nasty reminders of the importance of achieving the most flexible and lowest possible costs in manufacturing.

This year has seen a 16 per cent appreciation of the yen against the dollar, hitting Cat's competitiveness in some markets against the Japanese. "That bothers us tremendously and we are befuddled as to why it is happening," says Glen Barton, president of Cat's construction products division.

Across town from Caterpillar, a large factory complex producing dump trucks and other equipment and once wholly owned by Dresser Industries, is now 50 per cent controlled by Komatsu, Cat's deadly rival – part of the merger of Dresser's and Komatsu's North American machinery interests. Japanese manufacturers like Komatsu remain deeply rooted in their US competitor's home territory and eager to take advantage if those US companies trip up on their own shop floors.

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FT LAW REPORTS

Sugar settlement is valid

ED & F MAN (SUGAR) LTD v HARYANTO
Queen's Bench Division (Commercial Court): Mr Justice Steyn: May 25 1990

A FOREIGN judgment reached by a process of reasoning which is irreconcilable with an earlier English judgment will not be recognised as final by the English court. Accordingly, an English settlement agreement made on the basis of an English court decision that certain contracts are legal, is not invalidated by a subsequent foreign decision that it is unenforceable because, under the foreign law, the contracts are illegal.

Mr Justice Steyn so held when giving judgment for the plaintiff, ED & F Man (Sugar) Ltd, on its claim for a declaration that a settlement agreement made between it and the defendant, Mr Yani Haryanto, and security given under that agreement by Mr Haryanto, were valid.

HIS LORDSHIP said that Man was an international sugar trader. Mr Haryanto was an Indonesian citizen.

In 1982 Man as seller, and Mr Haryanto as buyer, entered into two agreements which on their face provided for the sale and purchase of sugar. Each contract contained a clause providing that English law would govern, and contained a London arbitration clause.

Disputes arose. Man contended that Mr Haryanto was in default for failing to open letters of credit as required under the contracts. Mr Haryanto disputed that there was any contractual relationship of buyer and seller.

On June 12 1984 Man submitted the dispute to arbitration, claiming $146m.

On June 20 1984 Mr Haryanto began an action in the Commercial Court seeking a declaration that he was not bound by the contracts, and an injunction restraining Man from pursuing the arbitration. Mr Justice Staughton dismissed the claim. The question whether the importation of sugar into Indonesia without permission was illegal was debated. A considered decision was taken not to raise the issue.

The Court of Appeal dismissed an appeal by Mr Haryanto. It declared that Mr Haryanto was bound by the contracts, including the arbitration provision.

On March 25 1986 Mr Haryanto began a second English action seeking a declaration that the disputed contracts were illegal or contrary to English public policy. Man began a third set of proceedings seeking a declaration that Mr Haryanto was estopped from contending the contracts were illegal or contrary to public policy.

On July 7 1986 Man and Mr Haryanto entered into a settlement agreement of all the English arbitration and legal proceedings. It was expressly governed by English law. Mr Haryanto agreed to pay instalments of £5m, $9m and $13m. He had to provide written acknowledgement of indebtedness, and additional security.

Mr Haryanto duly paid the first instalments of $5m. He also provided the written acknowledgements of debt, and security in several countries. He failed to pay the second and third instalments. Man claimed the whole amount due.

Five days later, on August 8 1988, Mr Haryanto commenced his first Indonesian action in Jakarta. He claimed annulment of the disputed contracts or a declaration that they were null and void. He contended they were illegal in that they provided for the prohibited import of sugar into Indonesia.

On November 8 1988 Man began an action in the Jakarta court seeking judicial enforcement of the acknowledgements of debts due.

On June 29 1989 the Indonesian court delivered judgments in the two sets of proceedings. In Mr Haryanto's action it held that the disputed contracts were illegal as having been entered into for an illegal purpose and being subversive of Indonesian public policy. It held it was not bound by the English Court of Appeal decision.

In Man's action it referred to its ruling about the disputed contracts. It ruled that the settlement agreement arose from those contracts and was therefore illegal as being against Indonesian public policy and welfare. Appeals from both judgments were dismissed by the Jakarta High Court. Appeals to the Supreme Court were pending.

On November 9 1989 Man began the present proceedings seeking a declaration that the settlement agreement, the acknowledgement of debt and the additional security were valid and binding on Mr Haryanto.

In his defence Mr Haryanto contended that Man was bound by the decision in its Indonesian action that the settlement agreement and acknowledgement of debt were null and void and unenforceable. He said the issue of the validity of the settlement agreement and acknowledgment of debt was *res judicata*.

Man submitted that the English court should not recognise the Indonesian decision because (a) it was inconsistent with prior English decisions that the disputed contracts were valid and binding; and (b) it was repugnant to English public policy. No attack was made on the correctness of the Indonesian judgments as a matter of Indonesian law.

A foreign judgment which was final and conclusive on the merits was conclusive as to any matter thereby adjudicated on, and could not be impeached for error of fact or law.

There were two material exceptions to that general principle: (a) a foreign judgment would not be recognised if irreconcilable with an earlier judgment given in England in a dispute between the same parties; and (b) a foreign judgment was impeachable on the grounds that its recognition would be contrary to English public policy (see *Vervaeke v Smith [1983] AC 145*).

The question was whether the Indonesian judgment was irreconcilable with the Court of Appeal judgment.

The Indonesian judgment and the present action concerned the validity of the settlement agreement and acknowledgement of debt, which had not come into existence when the Court of Appeal made its declaration about the disputed contracts.

It was permissible and necessary to examine not only the relief granted in the Indonesian judgments, but also to study the process of reasoning which led to the granting of relief.

One must be entitled to know what the issues were in order to consider whether there was an issue estoppel. When one examined the Indonesian judgment in that way, the conclusion was inescapable that the sole ground on which the settlement agreement and acknowledgement of debt were declared illegal was that they flowed from the disputed contracts held to be illegal.

The issue of illegality of the disputed contracts was *res judicata* in the sense that it would be an abuse of the process to raise in subsequent proceedings matters which could and should have been raised in the earlier proceedings (*Henderson (1843) 3 Hare 100; Greenhalgh [1947] 2 All ER 255,257; Yat Tung Investment [1975] AC 581,589H-591B*).

The settlement agreement was a *bona fide* compromise. An English court was always anxious to uphold *bona fide* settlements. The public policy requirements of Indonesia as enunciated by the Indonesian court were matched and outweighed by policy considerations which an English court must take into account.

For those reasons the matters in question including the illegality issues, were *res judicata* in the wider sense in England. The Indonesian judgment ought not be recognised. Man was entitled to declaratory relief.

If the court was wrong on that point it nevertheless took the view that English public policy precluded recognition of the Indonesian judgment. It did so because the inevitable consequence of the English proceedings and the final judgment of the Court of Appeal was that it was no longer open to Mr Haryanto in English legal proceedings to raise the illegality issue.

Man sought to restrain Mr Haryanto from instituting or continuing proceedings anywhere in the world which would challenge the legality of the settlement agreement or any security given under it, on the ground that it would be "unconscionable" to do so.

Injunctive relief with extra-territorial effect as proposed here ought only to be granted in exceptional circumstances. It was inconsistent with normal relations between friendly sovereign states and was subversive of the best interests of the international trade system.

Injunctive relief was refused.

For Man: Ian Glick QC and Richard Hacker (Simmons & Simmons)

For Mr Haryanto: Nicholas Merriman QC and Ali Malek (Rosling King)

Rachel Davies
Barrister

COMPANY NOTICES

FREE STATE CONSOLIDATED GOLD MINES LIMITED
Registration No. 05/28210/06
ORANGE FREE STATE INVESTMENTS LIMITED
Registration No. 85/05715/06
WELKOM GOLD HOLDINGS LIMITED
Registration No. 05/24464/06
(All of which are incorporated in the Republic of South Africa)

Annual General Meetings and a General Meeting

Notice is hereby given that the annual general meetings and a general meeting of members of the undermentioned companies will be held at 44 Main Street, Johannesburg, on Thursday, June 28 1990, at the times stated below:

Name of Company	Time of annual general meeting	Time of general meeting
Welkom Gold Holdings Limited (WGH)	09:30	
Orange Free State Investments Limited (Ofsil)	09:45	
Free State Consolidated Gold Mines Limited (Freegold)	10:00	10:10*

* or immediately following the annual general meeting, whichever is the later.

The business of the ANNUAL GENERAL MEETINGS will be:

1. **WGH and Ofsil**
To receive and consider the annual financial statements of the company for the year ended March 31 1990.
2. **Freegold**
To receive and consider the annual financial statements of the company and the Group annual financial statements of the company and its subsidiaries for the year ended March 31 1990.
3. **WGH, Ofsil and Freegold**
To elect directors in accordance with the provisions of the company's articles of association.
4. **Freegold**
To consider and, if deemed fit, to continue to authorise the directors to allot and issue the unissued S ordinary shares in the capital of the company, other than those reserved for purposes of the company's participation in The Anglo American Group Employees Shareholder Scheme, in their discretion in terms of and subject to the provisions of the Companies Act.

The business of the GENERAL MEETING will be:
Freegold
To consider, and if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"That pursuant to the provisions of Article 74 of the articles of association of the company the remuneration of directors is hereby increased, with effect from April 1 1990, from R6 000 to R10 000 per annum for each director, other than the chairman, and from R12 000 to R20 000 per annum for the chairman."

Holders of share warrants to bearer of Freegold and Ofsil, who wish to attend in person or by proxy or to vote at the respective annual general meetings and general meeting of these companies must comply with the regulations of such company under which share warrants to bearer are issued.

Members entitled to attend and vote at the meetings may appoint one or more proxies to attend, speak and, on a poll, vote in their stead. A proxy need not be a member of the company. If required, forms of proxy are available from the registered and London Offices of the companies.

Proxy forms must be lodged with the company's transfer secretaries not less than 48 (forty-eight) hours before the time set for the holding of the meeting. Completion of a form of proxy will not preclude a member from attending the meeting.

The head office and United Kingdom transfer registers and registers of members of Freegold will be closed from Saturday, June 23 to Thursday, June 28 1990, both days inclusive.

By order of the boards
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per N B Stinton
Divisional secretary

Transfer Secretaries
Barclays Registrars Limited
6 Greencoat Place
London SW1P 1PL

Registered Office
44 Main Street
Johannesburg 2001

London Office
40 Holborn Viaduct
London EC1P 1AJ

Johannesburg
June 5 1990

aac

De Beers Consolidated Mines Limited
(Incorporated in the Republic of South Africa)
Registration No. 11/00007/06

NOTICE TO HOLDERS OF DE BEERS DEFERRED SHARE WARRANTS TO BEARER

**REARRANGEMENT OF SOUTH AFRICAN AND FOREIGN BUSINESSES
ISSUE OF DE BEERS/CENTENARY LINKED UNITS**

With reference to the announcement published in the press today advising shareholders, inter alia, of the registration of the special resolution passed by shareholders at the general meeting held on 25th May 1990 and the dates relating to the implementation of the rearrangement, the following information is published for holders of De Beers deferred share warrants to bearer.

In accordance with the terms of the rearrangement, equity shareholders in De Beers will receive one Centenary depositary receipt for each De Beers equity share and holders of De Beers deferred share warrants to bearer are required to surrender their share warrants (together with all unused talons and coupons) for cancellation and replacement with De Beers/Centenary linked units in bearer form, in the existing denomination of one hundred, comprising 100 De Beers linked deferred shares and 100 bearer Centenary depositary receipts.

Accordingly, holders of De Beers deferred share warrants to bearer should obtain and complete a bearer lodgement form from, and surrender their warrants together with the respective talon no. 2 and coupon numbers 85 to 93 for exchange to, any of the following agents:

a) In England:
Barclays Bank PLC
Stock Exchange Services Department
2nd Floor
54 Lombard Street
London EC3P 3AH

b) In France:
L'Europeenne de Banque
21 rue Laffitte
75009 Paris

c) In Belgium:
Banque Bruxelles Lambert
24 Avenue Marnix
1050 Brussels
or
Generale de Banque
3 Montagne du Parc
1000 Brussels

d) In Switzerland:
Swiss Bank Corporation
1 Aeschenvorstadt
4002 Basle
or
Credit Suisse
Paradeplatz 8
8021 Zurich
or
Union Bank of Switzerland
Bahnhofstrasse 45
8021 Zurich

e) In Luxembourg:
Banque Internationale a Luxembourg
Immeuble L'Independance
69 Route d'Esch
2953 Luxembourg

Bearer lodgement forms will be available from the abovementioned agents from 11th June 1990. De Beers/Centenary linked unit certificates in bearer form will be available for issue from 18 June 1990 and surrendered deferred share warrants to bearer (with talons and coupons) must be left at least five business days for examination.

Holders of De Beers deferred share warrants to bearer will be entitled to receive De Beers/Centenary linked unit certificates in bearer form until 8 June 1992. Thereafter such holders will only be entitled to surrender their share warrants for De Beers/Centenary linked unit certificates in registered form.

The De Beers/Centenary linked unit certificates in bearer form are issued subject to, inter alia, the conditions of issue relating thereto copies of which are obtainable from the abovementioned agents and the London Secretaries.

London Secretaries
Anglo American Corporation of South Africa Limited
40 Holborn Viaduct
London EC1P 1AJ

8th June 1990

De Beers
De Beers Consolidated Mines Limited

De Beers Consolidated Mines Limited
(Incorporated in the Republic of South Africa)
Company Registration No. 11/00007/06

**REARRANGEMENT OF SOUTH AFRICAN AND FOREIGN BUSINESSES
ISSUE OF DE BEERS/CENTENARY LINKED UNITS**

Further to the announcement published on 28th May 1990 advising shareholders of the results of the general meeting held on 25th May 1990, shareholders are advised that the special resolution amending the articles of association of De Beers was duly registered by the Registrar of Companies in South Africa on 25th May 1990.

In terms of the amended articles of association the directors of De Beers determined that each issued deferred share and each issued S ordinary share in the capital of De Beers would be linked to a Centenary depositary receipt to form a De Beers/Centenary linked unit, with effect from the close of business on 8th June 1990.

The following dates are important:

Friday 8th June	Record date to determine shareholders entitled to receive Centenary depositary receipts.
Friday 8th June	Last day for dealing in De Beers equity shares.
Monday 11th June	Listing of, and first day for dealing in, De Beers/Centenary linked units.

Each De Beers deferred shareholder whose address appears on the United Kingdom section of the register (being those with registered addresses situated anywhere other than in Africa south of the Equator) will be sent by post to their registered address (at their own risk) a linked unit certificate on or about Friday, 15th June 1990. In the case of joint holders, the certificate will be sent to the registered address of the joint holder whose name appears first on the register. Existing certificates in respect of De Beers equity shares will not be good for dealing purposes with effect from the close of business on Friday 8th June 1990.

This announcement is being posted to De Beers deferred shareholders on the United Kingdom section of the register today. A separate announcement is being published today for holders of De Beers deferred share warrants to bearer.

London Secretaries
Anglo American Corporation of South Africa Limited
40 Holborn Viaduct
London EC1P 1AJ

London Transfer Secretaries
Barclays Registrars Limited
6 Greencoat Place
London SW1P 1PL

6th June 1990

DeBeers
De Beers Consolidated Mines Limited

PUBLIC NOTICE

MMC INVITES EVIDENCE ON WESTERN TRAVEL LIMITED'S ACQUISITION OF G & G COACHES (LEAMINGTON) LTD

The Monopolies and Mergers Commission has been asked to inquire into the acquisition by Western Travel Ltd of G & G Coaches (Leamington) Ltd. The Commission would like to hear from any person with information or views on this acquisition. Western Travel owns Cheltenham & Gloucester Omnibus Company Ltd, Midland Red (South) Ltd and Vanguard Coaches Ltd of Bedworth.

The Commission will be studying the possible effects of the acquisition on competition in the market for commercial and contracted bus services in the county of Warwick and the districts of Coventry and Solihull in the county of West Midlands.

The Commission would like evidence in writing by 25 June 1990, to be sent to: The Reference Secretary (Western Travel/G & G Coaches), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

PUBLIC NOTICES

MMC INVITES EVIDENCE ON THE ACQUISITION OF FORMIA LTD BY STAGECOACH (HOLDINGS) LTD

The Monopolies and Mergers Commission have been asked to inquire into the acquisition by Stagecoach (Holdings) Ltd, through its wholly owned subsidiary Southdown Motor Services Ltd (Southdown), of Formia Ltd. A major subsidiary of Formia is Hastings & District Transport Ltd. Hastings Topline Buses Ltd is a subsidiary of Southdown.

The Commission will be studying the possible effects of the acquisition on competition in the market for commercial and contracted bus services in East and West Sussex and part of Kent. The Comission would like to hear from any person with information or views on this acquisition.

Evidence, in writing, should be sent by 25 June 1990 to:The Reference Secretary (Stagecoach/Formia), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

LEGAL NOTICES

The Colne Valley Water Company

NOTICE IS HEREBY GIVEN that the One Hundred and Sixty-fifth Ordinary General Meeting of the Stockholders of the Company will be held in the Assembly and Amenities Centre at the Principal Office of the Company, Blackwell House, Aldenham Road, Watford on Thursday, 28th June 1990 at 12.30 p.m. for the following purposes:

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the financial year ended 31st March 1990.
2. To confirm and declare dividends.
3. To re-elect Mr John M. Haseldine a director of the Company.
4. To re-elect Mr William A. Cosgrove a director of the Company.
5. To authorise, with effect from 1st April 1990, an increase in the provision for aggregate fees of the non-executive directors from £30,000 to a maximum of £54,000 per annum.
6. To appoint auditors in accordance with Section 384 of the Companies Act 1985.
7. To authorise the directors to fix the remuneration of the auditors.
8. To transact the other ordinary business of the Company.

Dated this 6th day of June 1990.

by Order of the Board
J.A FENNELL
Secretary

Blackwell House
Aldenham Road
WATFORD
Hertfordshire, WD2 2EY

IN THE MATTER OF ZAISSHI LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN that the Creditors of the above named company, which is being voluntarily wound up, are required, on or before the 25th day of July 1990 to send in their full christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their solicitors (if any) to the undersigned SURJIT KUMAR SINGLA, FCA of SINGLA & COMPANY Chartered Accountants, 40 Queen Victoria Street, London EC4N 4SA, the Liquidator of the said company, and if so required by notice in writing from the said Liquidator, are personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded form the benefit of any distribution made before such debts are proved.

DATED this 25th day of May 1990

S.K. SINGLA, Liquidator

IN THE MATTER OF IFINCORP S.A. AND IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN that the Creditors of the above named company, which is being voluntarily wound up, are required, on or before the 25th day of June 1990 to send in their full christain and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their solicitors (if any) to the undersigned SURJIT KUMAR SINGLA, FCA of SINGLA & COMPANY chartered Accountants,40 Queen Victoria Street, London EC4N 4SA, the Liquidator of the said company, and if so required by notice in writing from the said Liquidator, are personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 26th day of April 1990

S.K. SINGLA
Liquidator

NOTE: The above notice is purely formal as all known creditors have been or will be paid in full.

QUIN COPE LIMITED (IN MEMBERS' VOLUNTARY LIQUIDATION)

Pursuant to Rule 4.182A of the Insolvency Rules 1986 the Liquidator of the above company has already given notice that he intends to make a final distribution to shareholders.

Quin Cope Limited conducted a marketing name business in the following names:

Gerald quin Cope and Co.
Gerald Quin Cope and Co. Ld/Stocken and Concannon
Stocken and Lazarus
P.W. Kemp Gee and Co.
Scrimgeour Kemp Gee and Co.
Morton Bros.

The marketing name business was transferred in Decembe 1985 to The English Association of American Bond and Shareholders Ltd, Wilec House, 82-100 City Road, London ,EC1Y 2BJ, who deal with all matters arising relating to shares registered in the above names since December 1985. Claims in respect of matters arising prior to that date must be submitted before 29th June 1990 to, The Liquidator, Roger Smith of KPMG Peat Marwick McLintock, P.O. Box 730, 20 Farringdon Street, London EC4A 4PP.

R. Smith, Liquidator
30th May 1990

BRITISH VIRGIN ISLANDS

The Financial Times proposes to publish this survey on:

JUNE 29th

For a full editorial synopsis and advertisement details, please contact:

Nigel Bicknell on 071-873 3447

or write to him at:

Number One, Southwark Bridge London SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

ART GALLERIES

SIR MATTHEW SMITH
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A Selection of Thirty Paintings
10 May - 21st July
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178 Brompton Rd., London SW3 1HQ Tel: 071-584 7566/581 1529
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London SW7
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071-584 6612
HANDS ACROSS THE WORLD
A Fresh Look at Global Co-operation
3 May - 1 July Tue-Sat 10-5.30. Sun 12-5.30.Closed Monday.

LEGAL NOTICES

EVERARDS BREWERY LIMITED

NOTICE is hereby given that the transfer books and register of the 5% Cumulative Preference Shares of the above named Company will be closed on 18th June 1990, to facilitate the preparation of the payment of the half-yearly dividend on 30th June 1990.

BY ORDER OF THE BOARD

P. STEPHENS
FINANCIAL DIRECTOR
& COMPANY SECRETARY

PERSONAL

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Slipper launch 1935. Teak/Mahogany. B.M.C. Engine. All fittings including Lloyd Loom £15,000.

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ARTS

rlin Philharmonic

VAL HALL

hout Karajan's long ion of the Berlin Phil- ic the orchestra rarely d on tour with other ors. As if to underline v era since Karajan's ad the election of Clau- ado to succeed him, its acerts in the Festival Sunday afternoon and evening were origi- cheduled to be given fferent guests, Daniel im and Seiji Ozawa.

a, however, was unable ar and Barenboim con- both, drawing from the a playing of immense ion and instantly recog- pedigree. In one sense ing the Berlin Philhar- lays aspires still to the n of Bruckner – every f its character has been ed towards the ideal of h-century line and tex- a homogeneous, bal- sound, with blended nd and brass, effulgent, y graduated strings.

incipals may be distin- interpreters in their ight, but whether an imposed discipline s carried through from ajan years, or because rporate approach that estra itself has assidu- ropagated, their contri- are made very much to to a single identity. er, the Seventh Sym- closed the second of the certs.

s in many ways the atisfying performance, y because sound world ntent seemed so per- atched – but because oim's reading seemed aturally paced than his Schubert or Bee- had done on the previ- ous day.

Parts of the Unfinished Symphony had been turned into a show piece: the second subject of the first movement was reduced to the slenderest thread of sound, a chamber-like effect in the midst of such aural richness yet achieved with the whole ten-strong cello section, but the musical result was to place it almost in quotation marks, as if the point was being made all too deliberately.

Elsewhere there was similar over-pointing and wide extremes of tempo, which were carried over into the Eroica too. Barenboim made the slow movement a thing of fascinating textural variety but little cumulative intensity, and throughout the work the points of maximum excitement were always fractionally disappointing, as if Barenboim had lost the shape of the wood for the sake of its beautifully figured trees.

Sunday afternoon ended with an encore of the Overture to *Le nozze di Figaro*, dazzlingly articulated, and Mozart also opened Monday's concert, though this time with some scaling-down of the resources for the E flat Piano Concerto K.482. Murray Perahia was the soloist, choosing to present one of the grandest of Mozart's concertos on a grand scale, never seeking out its intimacies, but purling its phrases with a sleekness that matched the orchestral sound.

It was beautifully judged, though one would imagine that Perahia would play the work quite differently with a smaller, leaner orchestra and on a less flamboyant occasion.

Andrew Clements

aradise

NGHAM PLAYHOUSE

need is Ludd. Luddism ing a serious revival – Nottingham, where it n March 1811. I discov- s and other facts about n old and new in the ame for this new musi- Stephen Lowe about the l Luddites and their ham context.

in't, however, learn rom the musical itself. duct of detailed histori- arch, it keeps forgetting ain what it's about and who. You see that lace y symbol but not the importance of breaking emakers' frames; that a "Your Lordship" er but not that he's the f Newcastle made Lord nant of the County in hat there is a lunatic , but not that he opened ovember 1811. This is a l that should have been

e there is a musical to e out of Luddism, a *Les bles* from English his- he elements are there: l rebellion and emerg- manticism; love, death ss warfare; wealth ver- verty. But in *Paradise* if Lowe and his com- David Wilson are trying rd to make something istorically and stylisti- ophisticated than *Les* ne musical style ranges angelis (booming atmo- sound-effects) to Italian the first-half closer is a x concerted ensemble different characters) to Webber to vague period e (much use of harpsi- violin and oboe). The climactic duet and trio like Elton John after ections of *Rigoletto*.

hero, Michael (Michael) is as befuddled as the e. His search for Ludd is Tamino's for Sarastro in *The Magic Flute*: he's unsure whether he's tracking a devil or a high priest. He's interestingly passive – witnessing one scene, he stands by a lamp post as if lashed to the mast – and some of his lines have an appealingly Romantic idealism. But he grows only more aimless as things proceed, until finally he's lumbered with singing the following: "I wanted Life. I wanted lace at my window, Love on a pillow of purity. Now I am Ludd. Now I am touched with the grace of divinity." Poor blighter. This mix of symbolism clogs up many of the lines. "Captain Ludd," sings Michael's girlfriend Esther (Mary-Louise Clark) "turns our bodies into battlefields of desire." In a work so clumsy in identifying its own characters and plot, this quagmire of metaphor is precious nonsense.

But I only sniggered twice. The Musical interests you in the things it is trying, and failing, to do. And visually it succeeds at them. Pip Broughton (director) and Geraldine Pilgrim (designer) set the corpses of Napoleonic battlefield against urbane gallantries, neo-classical architecture against industrial novelty; looms, bricks, iron versus blossom and sky.

If a musical is primarily to be seen, as the 1980s encouraged us to think, *Paradise* provides many memorable images. But if a musical is first of all for the ears, the fact is that the vocal lines of *Paradise* are long and high-ranging enough so that everyone sometimes sings flat. It lodges no tunes in your head, and lodges no lines there save the embarrassing ones.

Alastair Macaulay

TELEVISION

Evenhanded shots to thrill

Peter Kosminsky's *Shoot To Kill* – the four-hour ITV drama-documentary about six killings of unarmed men by security forces in Northern Ireland, followed by the Stalker inquiry, and then Stalker's dismissal – is the sort of programme that makes me want to stand up and cheer. If politicians, civil servants, policemen, army officers, or secret servicemen, all supposedly public servants, paid to do what *we* want in this democratic society, conspire to pervert the course of justice, there are precious few places left for the concerned citizen to turn. One of the most hellish aspects of the now collapsed totalitarian regimes in eastern Europe was the fact that, thanks to the seamless web of the state, the citizen had no way of knowing when he was being fed lies.

In Britain, despite increasing limitations by the state on freedom of expression (in such matters as race, homosexuality, and Northern Ireland) we do still have a more or less free press and more or less free broadcasting. And it is precisely when state agencies begin to slide out of control that the true significance of the fourth estate becomes apparent. For millions of viewers who would never read a long and detailed written version of these events, Kosminsky's admirable programme provides what seems to be a remarkably even handed version of events. Again and again he has his characters emphasise the special difficulties of policing Northern Ireland.

Yes indeed, there was a shoot to kill policy, says Sir John Hermon, head of the Royal Ulster Constabulary, and it was operated by the terrorists. One of the officers commanding the special squads says there will be no warnings to their targets: "When did you see the IRA show you a yellow card?" And repeatedly we hear RUC men mocking the "mainland" investigators for their naivety in assuming Ulster is like Manchester. Only once does Kosminsky offset these expressions of expediency – the implicit belief that the ends justify the means – with the classic moral objection: "The moment the police use the methods of the terrorist they descend to the level of the terrorist" says Stalker.

Being a puritan lot, many Britons seem to feel that, like medicine, investigative journalism should be nasty to swallow if it is to do any good, and they look with deep distrust on a programme which is as superbly well made as this. It does have splendid performances from David Calder as Thorburn (Stalker's deputy) and Jack Shepherd as Stalker, and very superior camerawork and editing. Given that Kosminsky has never made a drama before (though he has made outstanding documentaries such as *Afghantsi*) it is an astonishing achievement. But above all a heartening one.

★

The sight of Paul Hodkinson's terribly swollen eyes at the end of his amazingly hard and exciting featherweight title fight against Marcos Villasana in ITV's *World Championship Boxing* on Saturday made me think that those of us who enjoy watching televised boxing had better do so while we can. Sooner or later (sooner, I suspect) the old ladies of both sexes and all ages who find boxing disgusting are going to use sights such as those eyes to get the sport stopped, at least on television.

If and when it happens it will be one more victory for the soft, sentimental, female side of human nature – in the ascendant these days – over the tough, ruthless, masculine side. Nobody forces boxers to box, and the notion that they are all impoverished working class lads driven to fight only for the money is poppycock. In Britain most of them (like Hodkinson) begin as amateurs and, however horrified the old ladies may be, the fact is that a lot of men *like* fighting.

It is difficult to avoid the feeling that there is also a class element and considerable hypocrisy in the hostility to this activity, as to a number of others. The billing for tomorrow night's *On The Line* on BBC2 says "In the Isle of Man this week the TT motorcycle races are causing media attention again. Almost every year the headlines are grabbed not by the winners but by the death toll." Since that was written weeks before the TT began, what it really means is that *On The Line* is more interested in mayhem than motorcycling.

There is another "Round The Island" race which this year, once again, ended in death: Saturday's race round the Isle of Wight for ocean-going yachts. Did you notice any television programmes about the dangers of this sport? And when did you last see a programme about the high death toll among mountaineers, or cricketers (the per capita rate of serious injury and death among cricketers being higher than among boxers, I understand)? Of course you find very few high ranking broadcasters in boxing rings or on motorcycles: they turn up far more often in yachts and cricket pavilions.

★

The same old ladies have moved on another stage in their campaign to stop young ladies competing to see who has the most beautiful body and, far more important to the old ladies no doubt, to stop us watching them on television as they do it. The *Miss World* contest itself has not been cancelled but the feeble organisers have been persuaded (well, almost certainly, we are told) to abandon the central item in the event: the parade in bathing costumes. This, it is said, "degrades" women but clearly it does no such thing to those who choose to compete.

If the type of women who wear dungarees and trainers were forced to parade in bathing costumes that might indeed be degrading. But it is brain-ist in the extreme for the dungareed types to insist upon their right to exploit their particular assets – the ability to learn quickly from books, for instance – while trying to deny their sisters with different assets – beauty for instance – the right to exploit them. Beauty contests seem degrading only to those who are ashamed of the human body and who superciliously and unquestioningly rank good brains above good bodies.

Jack Shepherd as John Stalker in Yorkshire Television's 'Shoot to Kill'

★

Talking of hypocrisy, Channel 4's series *The Television Village*, endeavouring to show what happened when the inhabitants of Waddington were given multi-channel cable TV, may be telling us less than meets the eye. Many of the assertions made to the programme's interviewers seem to come from the same stockpile as the claims made to television critics at dinner parties. Before dinner the critic is assured "Of course we only keep the set to amuse the au-pair, we get very little time to watch it ourselves." During dinner he is asked in a casual manner what he thinks of Sky and BSB. After brandy he is told all the shortcomings of *Wogan*, *Neighbours*, *Bullseye*, *Beadle's About* and a lot of other rubbish which he has neither the time nor the inclination to watch.

The trouble with *The Television Village* is that it rarely gets beyond the pre-dinner stage: people seem largely concerned with the image they are conveying. Last week everyone was very anxious to impress upon us that even if they had caught the occasional glimpse of the soft porn channel they had not enjoyed it. Good gracious no. Dreadfully tedious. Nothing they hadn't seen before. It was, I think, Jasper Carrott who once asked his studio audience which of them read the *Sun*. Not a hand stirred. Yet, as Carrott pointed out, next morning more copies of the *Sun* would be sold than any other newspaper in Britain. Strange, isn't it, how concerned people are about what others will think of their taste.

★

A special sort of insanity is spreading through current affairs and documentary programme makers. Producers, some of whom are among the world's most pathetic copycats, have begun to provide commentary (which in this context simply means words, not opinions) in the form of ribbon captions running along the bottom of the screen. The most recent example was BBC1's *Inside Story* which was devoted last week to rat catching in Hackney. The trouble is that if you are reading the caption you cannot be looking at the pictures, and vice versa. The answer is, of course, amazingly simple: deliver the commentary in voice-over, just as programmes always have. It may not have the same cachet of trendiness as a ribbon caption, but it doubles the amount of communication with the viewer.

Christopher Dunkley

Rimsky's 'Kitezh' at the Maggio Musicale

In the 1950's Rimsky-Korsakov's last opera, *The Legend of the Invisible City of Kitezh and the Maiden Fevronia*, first given in St. Petersburg in 1907, arrived finally in Italy: first at La Scala, then in Rome and Trieste. It made an immense impression, especially on the critics; and the following year, when an Italian music magazine polled experts, asking them to name the most important operas of this century. *Kitezh* appeared on almost everyone's list, alongside *Wozzeck* and *Turandot* and *Oedipus Rex*.

Then, the enthusiasm seemed to die down, and the work faded from the local repertory. In fact, all of the Rimsky canon remained virtually absent, except when a visiting company from the Soviet Union brought one of his operas along with them.

It was, therefore, an act of courage on the part of Florence's Maggio Musicale to choose *Kitezh* for its fifty-third festival. Justly, that courage was rewarded. The Teatro Comunale was filled – largely with opera-goers who had never heard the piece before – and Rimsky's masterpiece (it is fair to call it that) was given a warm, triumphant welcome. Its magic, literally, worked: the strange, pantheistic fairy-tale of spells and saintliness, battle, death, and resurrection held everyone's attention, as the seductive music unfolded, a stream a constant, beautiful, varied invention, rapturous arias alternating with stirring marches and multi-hued scene-painting.

Rimsky's magic was matched by the enchantment of the production and the sensitivity and accomplishment of the performers. Praise must go, first of all, to Pier Luigi Pizzi, who designed sets and costumes and produced the work. Putting the immense, complex narrative on stage clearly imposed a number of decisions, especially stylistic.

The story requires the presence of numerous animals (a bear, a stork, two singing birds), a bloody combat, the disappearance of the city and its later re-emergence from a lake. Pizzi gave us all of these things, avoiding unsuitable realism on the one hand and Disneyesque coyness on the other. A field of flowers became a child's imagination of blossoms, as big as human beings; the battle, on three-dimensional horses, moving smoothly and soundlessly on complex, invisible tracks, was a stunning ballet of equestrian statues, a scene to make you hold your breath.

But there were many such moments in this memorable evening. And even the less fanciful scenes – the snow-covered forest, the besieged city – were unerringly created. The large cast, simply and aptly costumed, moved sparingly, appropriately. Never a trace of the producer showing off: his staging grew naturally from the work: it was a not a concept arbitrarily imposed from outside.

Myung-Whun Chung, familiar to the Florentine audience, also showed a natural feeling for the work, allowing all of Rimsky's familiar mastery of the orchestra to emerge, without wallowing in the rich sounds. For that matter, the score is less sumptuous than other Rimsky works; there is less self-indulgent exoticism, more delicacy and sober tenderness. There are haunting pages for solo instruments (the first violin and the first cello distinguished themselves). Of course, there are grand choral passages, and the Florence chorus prepared by Roberto Gabbiani enabled them to make their full impact.

At the very beginning, the soprano voice of Katerina Ikonomou seemed a bit heavy for the innocent, unearthly Fevronia; but as the evening progressed, the artist displayed a vocal agility, a dynamic and emotional range that were deeply moving, as was her straightforward, unaffected acting.

Her handsome Prince, the tenor Vitaly Tarashenko, also sang nobly; and, as his father, the bass Sergey Martinov was both regal and touching. No Russian opera would be complete without a character tenor – a drunk or a beggar or a traitor – and *Kitezh's* Grishka Kuterma is all of these. After the part of Fevronia, his is probably the longest and the most important: his all-too-human cowardice and weakness make him her foil. Vladislav Pyavko was superb; his Loge-like sprightliness was a quicksilver thread running through the essentially sober story.

In this work, most of the smaller roles demand excellent singing, and the Florence cast met every challenge.

Other operas during the festival include Donizetti's rarely-heard *Parisina* (already reviewed on this page) and then a *Mahagonny* and a *Don Giovanni* staged by Jonathan Miller.

William Weaver

Sergey Leiferkus

ST JOHN'S, SMITH SQUARE

It is not clear why London has been so favoured, but this is not the moment to press the question. While Sergey Leiferkus is only now making his name in some countries as the outstanding Russian baritone of his generation, he has already sung in several major operatic productions here and has also given us a stream of first-rate recitals that shows no sign of drying up.

The latest of these all-Russian evenings was at St John's on Monday. Unlike some singers, who suffer the indignity of hearing their voices drained of vibrancy in these acoustics, Leiferkus sounded as brilliant as ever. He is such a consistent technician that it is difficult to say anything new about his voice, except that the marvellous focus to its tone remains as great a source of pleasure as on the first time one heard him.

If there is to be any criticism of this programme, it issimply that we have heard such a lot of it before. Much as it is exciting to encounter again his grandly-voiced Prince Igor or his suave Onegin, these are character portrayals we have already become fairly well acquainted with at Covent Garden. The only operatic extract new to me was the Epitholama from Rubinstein's *Nero*, a stunning showpiece, sung with enormous éclat.

In recital there is in any case no need for him to offer so much opera, so few songs. Leiferkus is one of those gifted interpreters who can move with apparent ease from one art-form to the other. His singing of Rakhmaninov's "Yesterday we met" was an object-lesson in how to sing an art-song in a thoroughly "vocal" way, with long and lyrical lines, while still seeming to speak naturally to the audience as though in normal conversation.

After the interval came Musorgsky's *Songs and Dances of Death* and some popular Chaikovsky songs – delivered, if anything, with even more authority than before, though a singer who can make his points with such economy really deserves a pianist less indiscriminately thunderous than Phillip Thomas was here. Happily there is no need to plead for another recital. The next is apparently planned already.

Richard Fairman

TS GUIDE

June 1-7

TRE

n

ng Goes (Prince Edward). rter's silly ocean-going usical has four or five ous songs and Elaine iling to emulate Ethel n. Jerry Zak's desperately production comes from coln Center in New York undemanding fare (734 836 2428).

Bernard is Unwell . Tom Conti is the alco- urnalist who embodies affian, nay-saying life hile committing public by vodka. Keith Water- as stitched a fine play, son's highlight, from Ber- own writing. Ned Sherrin (437 2563).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

Bus Stop (Lyric). Glam revival of William Inge's 1955 Kansas comedy, with Jerry Hall making her West End debut as the tank-town "chantoose" to Shaun Cassidy's Montana cowboy, a partnership forged on Broadway by Marilyn Monroe and Don Murray. Plenty of glow but not much grit (437 3686).

Shadowlands (Queen's). Weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes both Nigel Hawthorne and Jane Lapotaire into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb (734 1166/439 3849).

New York

Cat on a Hot Tin Roof (Eugene O'Neill). Kathleen Turner, whose statuesque good looks embody Tennessee Williams' vibrant character Maggie, is surrounded by an excellent supporting cast in Howard Davies' production.

Grapes of Wrath (Cort). The Steppenwolf company's interpretation of the Steinbeck epic novel has taken a long time to reach New York from Chicago; the wait was worth it, with the 1930s brought alive in its squalour as well as its test of human strength. Gary Sinise as Tom Joad stands out in Frank Galati's adaptation.

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town*, *West Side Story* and *Gypsy*. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. The National Theatre (265 7411) has a "kabuki classroom" that consists of a lecture demonstration (with earphone translation into English) followed by one of the most famous plays in the repertoire, *Kanjincho (The Subscription List)*. An excellent introduction to kabuki. At Kabuki-za (541 3131). The matinee at 11am consists of a short, relatively modern play and three dance pieces. At 4.30pm: *Kagamiyama Kokyo no Nishikie (The Women's Revenge)*, a late 18th century drama based on a real-life court scandal.

Swansong. Robert Wilson, darling of the international avant garde jetset, directs a Japanese cast in a "poetic illusion" based on a Chekhov short story. Tokyo Globe Theatre (Mon, Tues) (360 1151).

Peer Gynt (in Japanese). Japan's most famous director, Yukio Ninagawa, best known for his samurai Macbeth and noh Tempest, tackles Ibsen's "unstageable" masterpiece, with a cast headed by a popular young rock singer. Aoyama Theatre (201 7777).

Maly Theatre, Moscow. Chekhov's *The Wood Demon* is an early work, that was later reworked as Uncle Vanya. Performed in Russian. Seinenkan Theatre. (Thur) (235 1661).

SALEROOM

Japanese porcelain pays off

Earlier this year Christie's held an exhibition of Japanese Kakiemon porcelain from English country houses. Yesterday it sold porcelain from two of the houses, Sherborne Castle (the Wingfield-Digby home) and Drayton House (the Sackvilles) in one of its best ever auctions of Japanese art. The porcelain sold yesterday consisted of relatively minor pieces, not included in the show, but it underlines the commercial feedback from scholarly exhibitions.

The feature yesterday was an auction record for any item of Japanese ceramics when a Japanese dealer paid £660,000 (twice the high estimate) for a deep Kakiemon bowl made around 1680. It is decorated with birds and flowers, in imitation of Chinese Song dynasty flower paintings, but the piece is quintessentially Japanese. Until recently the Japanese had not been active buyers of this part of their national heritage but obviously they now appreciate the artistic achievements of their forefathers – as did rich English families in the late 17th century.

A pair of rectangular Kakiemon vases of the same period sold well at £132,000, and there was a record for a Bijin, a Kakiemon female figure, when two sold for £77,000 each. All told the auction brought in £1.6m with 10 per cent unsold.

A Twopenny Blue stamp affixed to an envelope with a postmark for May 7, 1840, a day before this accessory of the Penny Black was officially issued, sold for £44,000 at Christie's. So far it is a unique survivor.

Sotheby's had problems with greedy owners when selling glass and continental ceramics yesterday. For example, a pair of Italian Faenza drug jars of 1480 were bought in at £22,000, even though they carried an estimate of £15,000-£20,000: obviously the vendor wanted more at the last minute.

Maiolica was a weakish area but elsewhere a German dealer acquired an early Meissen part tea service of the late 1720s, with 13 pieces, for £30,800, within forecast, and a pair of Brussels faience figures of parrots, of the late 18th century, attracted vigorous bidding, finally going for £26,400 against a top estimate of £6,000. Top price among the glass was a healthy £16,500 for a Bohemian enamelled stangenglas, a tall cylindrical drinking vessel, dated 1591.

Among the English ceramics, a Delftware "Fox" charger of about 1675 more than doubled its estimate at £36,300: 17th century pieces depicting animals are very rare. A Staffordshire slipware owl jug and cover went to the dealer Alistair Sampson for £30,800.

Antony Thorncroft

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Farm reform and the Gatt

THE bitter argument between the European Community and the US over world farm reform at last week's ministerial meeting of the Organisation for Economic Co-operation and Development has raised the stakes for the Uruguay Round of multilateral trade talks.

In the aftermath of that meeting it is clear that the EC must back away, and soon, from its intransigent refusal to negotiate specific policy measures for reform. Its failure to do so would at best produce a weak overall Uruguay Round agreement result, which would risk rejection by the US Congress. At worst it might provoke the US, whose basic thrust on farm reform is supported by other important trading powers, such as Canada and Australia, to walk away from the entire negotiation.

It is not worth risking the future of the entire trading system for the sake of a sector that accounted for only 2.7 per cent of European Gross Domestic Product in 1987 but last year cost EC consumers and taxpayers no less than $93bn in support. In the long term reforms that removed much of this cost would be as much in Europe's own interest as in that of the rest of the world.

Mr Raymond MacSharry, EC Farm Commissioner, was on hostile territory at the OECD. Deprived of the presence of farm ministers who might otherwise have been his allies, he was exposed to growing private, and sometimes not so private, pressure from European finance and trade ministers whose main concern is the effect on the world economy and trading system of a breakdown in the Uruguay Round.

This pressure must now become unremitting. Only by isolating the farm lobby internally within Europe will it be possible for the Community to advance the negotiation in a constructive way. This means member states will have to consider carefully the overall balance of their interests.

More at stake

For both France and Germany, two of the countries most resistant to farm reform, there is more at stake than simply mollifying their farm lobbies. France is now a competitive services exporter. It would benefit if trade in services were liberalised in the Round. It also stands to lose from the integration of East Germany into the Commmunity which, as things stand, may increase its net contribution to Europe's farm budget.

Denies access

To secure its own economic and, still more, political future, Germany needs political stability, not to mention commercial outlets in the east. Both will depend on the economic opportunities offered to eastern European countries. These will be much diminished under a Community farm regime that denies access to competitive imports from Hungary and Poland.

It is not, as the European farm lobby habitually claims, a question of bowing to US demands for quick elimination of export subsidies. This may be Washington's ultimate objective but Mr Clayton Yeutter, US Agriculture Secretary, told the OECD the debate was not about elimination of farm support. Instead it was about the redirection of policies to minimise trade distortion.

Discussion of specific policy measures remains anathema to the EC because it strikes at the dual-pricing system (for exports and domestic sales) which is the cornerstone of its Common Agricultural Policy. The EC prefers a formula approach to reducing support, which would allow it to retain the basics of the CAP. As can be seen in the case of milk quotas, such an approach may limit both surpluses and budgetary costs. But it does not necessarily lead to the "substantial and progressive liberalisation" to which the EC is already committed in the Round.

The EC also complains that the US approach would strike unfairly at its export subsidies, forcing it to give up more than its trading partners. This is lame stuff. Flexibility on the part of the Community could be used to prise concessions out of Washington whose support for farmers is also flagrant and excessive. Without it, nothing will change, except that the subsidy war will become still more absurdly expensive.

Labour and the trade unions

IF the British Labour Party is to be re-elected, it must lay a ghost to rest. The ghost is of mass picketing, strikes across industry, public services paralysed by industrial action. It is of government unable to resist the sectional interest of unions, and so failing to promote the public interest.

Labour's new employment policy – crafted with the help of unions which count on gaining more by helping return a Labour government than by sticking to their old demands – is a plausible first stab at banishing the ghost. It must be further refined if Labour is to escape being haunted at the next election by memories of the 1970s.

In many ways, the new policy is an impressive departure from the past. Labour has accepted that unions must operate within a clear framework of law. It has cast off its old adherence to the closed shop. It has also pledged to retain a centrepiece of Conservative employment legislation: compulsory balloting of workers before official strikes are called.

The premise that industrial relations law should achieve fairness between the interests of employers and workers is a significant step forward. But it is not sufficient. The paramount requirement is a framework of law that promotes economic efficiency, and thus the public interest.

The public interest could be well served by Labour's proposal for a specialist Industrial Court, but it will not be if the court's powers of punishment are limited. Labour says it will end the sequestration of the assets of unions which defy the law, allowing only fines of unspecified size. It says unions should be able to carry on providing services for members who are not taking part in the strike.

Legal mechanism

It would be wrong to limit a common legal mechanism because unions have felt hard done by in particular cases. Labour should instead trust its specialist judges to apply the law fairly. Employers should be able to stop unions which flout the law and inflict economic damage. If a union uses its full financial strength to prosecute a strike, the court should be able to seize its assets as a weapon of last report.

The party is also wrong in wanting to ban employers from dismissing workers who go on official strike. The current law preventing selective dismissal or re-hiring of official strikers restricts employers sufficiently. Stronger limits would make it hard for any employer to shake off a determined union, no matter what the merits of a strike.

Sympathy strikes

Labour's proposal to allow sympathy strikes where a second set of workers has a direct occupational interest in the outcome of a primary dispute has virtues. Mr Tony Blair, Labour's employment spokesman, says that it mainly restores the right to call what are really primary strikes in disguise. He cites cases where employers act in collusion, or contract out their strikebound work to other companies temporarily.

To this extent, the policy is fair. Where a second company does the work of a primary employer, or the two act together to alter wages, their fortunes have been joined. Their workers should also have the right to act collectively. Where an employer artificially splits a company to avoid a strike, that artifice should not attract legal protection.

But the policy goes astray in admitting cases of genuine secondary action – where the terms and conditions of a second group of workers would probably be affected by the outcome of a dispute. This principle would logically allow all car workers to support a pay strike at Ford on the grounds that Ford wage rates act as a benchmark in the industry. The need is precisely the opposite – that wage bargains should vary in response to local market conditions.

Labour's ghost will not lie down until the party shows consumers of public services and private goods – as well as union members and other workers – that its industrial relations policy holds no brief for any interest group. It has come a long way down the road; there is still a distance to travel before the next election.

Robert Rice looks at the changing role of the European Court of Justice

Europe learns to love its court

The European Court of Justice in Luxembourg is the quiet man of the Community's institutions. Europeans still confuse it regularly with the European Court of Human Rights in Strasbourg and the International Court of Justice in the Hague. Now, however, the single market programme and events in eastern Europe threaten to drag it more into the limelight.

Brussels is looking to Luxembourg to ensure the even-handed implementation by the member states of the internal market legislation to prevent the 1992 bandwagon from being blown off course. Despite official optimism that the 1992 programme is on target (158 of the 279 directives have been passed) the early signs are not good. By the end of last year only 14 of the 88 directives that were supposed to have been incorporated into national legislation by this stage had been incorporated in all 12 member states. The number has since risen to 21.

The number of cases brought by the Commission against member states under Article 169 of the Treaty of Rome for persistent failure to implement community directives is rising and shows no signs of abating. There are serious worries that despite the creation of a Court of First Instance last September to ease the burden of the ECJ by taking over responsibility for community staff cases, competition cases and steel quota and levy cases, the ECJ may rapidly reach a point where it can no longer cope with the demands upon it.

The consequences of allowing the referee of relations between the member states to reach a point at which it becomes unable to ensure the even-handed implementation of EC legislation could be the collapse of the single market ideal. .This is particularly so at a time when many EC governments are only too aware that in the face of rapid change in eastern Europe the EC could all too easily, as the Belgian Prime Minister put it recently, "melt away under the warm glow of pan-Europeanism".

In a creative period spanning 15 years, the court was willing to, and did fill, the vacuum created by the inability of the Commission and the Council to act

The court is not unused to playing a central role, albeit one which has gone largely unnoticed by Europeans. In the 1960s and and early 1970s it was the only community institution which functioned properly. In a creative period spanning 15 years, during which the fundamental principles of the direct effect of community law and its primacy over the national laws of a member state were established, the court was willing to, and did fill, the vacuum created by the inability of the Commission and the Council to act.

Since the end of the 1970s the court has been noticeably less activist. The court has implicitly recognised in its judgments, particularly since the success of the Fontainebleau summit and the Single European Act, that as the other community institutions are now operating more effectively the need for judicial activism may be less.

Mr Francis Jacobs, one of six Advocates General who, together with the 13 judges, form the full Court of Justice, says it is certainly true that the fundamental constitutional principles have, by now, been worked out by the court and widely recognised and accepted by the member states. Remarkably, he says, this has happened despite the absence in most member states of any explicit constitutional provisions for recognising the direct effect and primacy of community law.

Even in France the Conseil D'Etat, the country's supreme court, finally recognised the provisions of the treaty as overriding French legislation last October – the last of the large member states to do so.

But while the constitutional foundations of the Community now seem well secured, the implications of those principles remain to be worked out, Mr Jacobs says.

It will fall to the court to interpret the large body of internal market legislation not only in the central areas such as free movement of goods, persons, services and capital but also in areas where community legislation is needed to supplement national law, such as transport, communications, energy, environment and social legislation.

In addition, he says, as all community measures are subject to judicial review, the new legislation may also give rise to issues of the division of powers between the Community and the member states.

The court may have to decide whether, for example, legislation is within the competence of the Community. It may have to decide how legislation should be treated under the treaty, which may determine whether it has to be adopted unanimously by the Council or can be adopted by majority voting. This is turn may also determine the scope of the powers of the European Parliament. Such issues have arisen before the court in a considerable number of recent cases.

Underlying all these issues is the question of whether legislation by the Community on some of these matters is appropriate or would be better left to the member states. Whatever the outcome of the recent discussion of a "principle of subsidiarity", the court will continue to review community measures for compatibility with substantive principles such as non-discrimination, respect for fundamental rights, and proportionality – that the measure has an objective recognised by EC law and that its effect is not excessive for the purposes of achieving that objective. There may also be scope for these principles to be developed so as to extend the ambit of substantive judicial review of community measures, Mr Jacobs says.

Aligned to this shift in the nature of the court's work has been a substantial increase in the volume of work now coming before it. As long ago as the late 1970s the court and the Commission saw the need for a Court of First Instance.

As Judge Ole Due, the President of the ECJ, noted at the official opening of the Court of First Instance, the increasing workload had pointed up the court's dual role – first and foremost as a judicial body which decides questions of law, but in direct actions as a body which must also decide questions of fact.

Until the arrival of the Court of First Instance it had to act as a court of first and last instance and determine the facts in a considerable number of factually complex cases. The result of this dual role was a steady build-up in the number of cases awaiting judgment and an increase in the duration of proceedings to an extent which had become unacceptable, particularly in the case of preliminary rulings.

Despite the arrival of the Court of First Instance, Judge David Edward, Britain's first judge of the newly constituted court, says the mother court remains grossly overloaded with cases which really ought not to claim its attention, such as the highly technical Customs classification cases and agricultural regulation cases.

In particular, he says, the court is becoming increasingly swamped with cases brought by the Commission under Article 169 of the Treaty of Rome against member states for persistent failure to implement community directives.

Member states invariably admit they have failed to fulfil their obligations in respect of the directive concerned and promise to implement it as soon as possible. Yet these cases have to go through the whole ritual dance of the court's procedure – exchange of written pleadings, oral hearing, opinion of advocate general and judgment – when, he says, "the answer is clear from the moment the case starts and everyone knows it is clear in 90 per cent of cases".

So not only is the court seriously overloaded, it is also handling a number of cases which are unsuitable in one way or another for a court of final review.

As the 1992 programme ploughs on and the volume of directives not incorporated into national legislation in the member states builds up, the number of Article 169 cases is bound to escalate, although Mr Jacobs says the rise in their number can be traced back before the Single European Act to the early 1980s.

The rise in their number is partly because there is now more legislation to infringe and partly because member states are more lax than they were, but primarily because the Commission has been much more active in pursuing infringements than it was.

A policy decision was taken by the Commission in about 1980, in his view wrongly, to pursue infringements virtually automatically. The result has been to slow up the important cases and to produce large numbers of judgments which are no longer regarded as particularly significant because all members states are guilty of failure to implement community directives and periodically are in the dock.

The cynical view taken of this increasingly heavy Article 169 caseload is that member states are deliberately exploiting the lengthy infringement procedure in order to frustrate aspects of the internal market programme they do not agree with or find politically inconvenient.

Italy and Greece are among the worst offenders in this regard, although Italy has made much play of the assertion that it does not have the legislative machinery to incorporate directives quickly and efficiently into domestic law, something it hopes to put right shortly with its proposed "umbrella law" designed to streamline legislative procedures.

According to Mr Jacobs, however, the assumption nevertheless seems to be that once a member state has gone through the delaying process the court's judgment will ultimately have some effect, although the number of cases in which the court's judgments were not complied with rose sharply in 1988, the last year for which figures are available.

Certainly, he says, the British Government gave the impression that it was very anxious not to be taken to the court over water standards and the French Government similarly seemed very anxious not to be taken to court over state aid to Renault.

One consequence of the increase in Article 169 cases, in particular, has been that member states have learned to love the court and to use it, contributing to its increasing workload. Governments which in the past would have thought very hard before challenging something before the court are now much more likely to do so as a matter of routine.

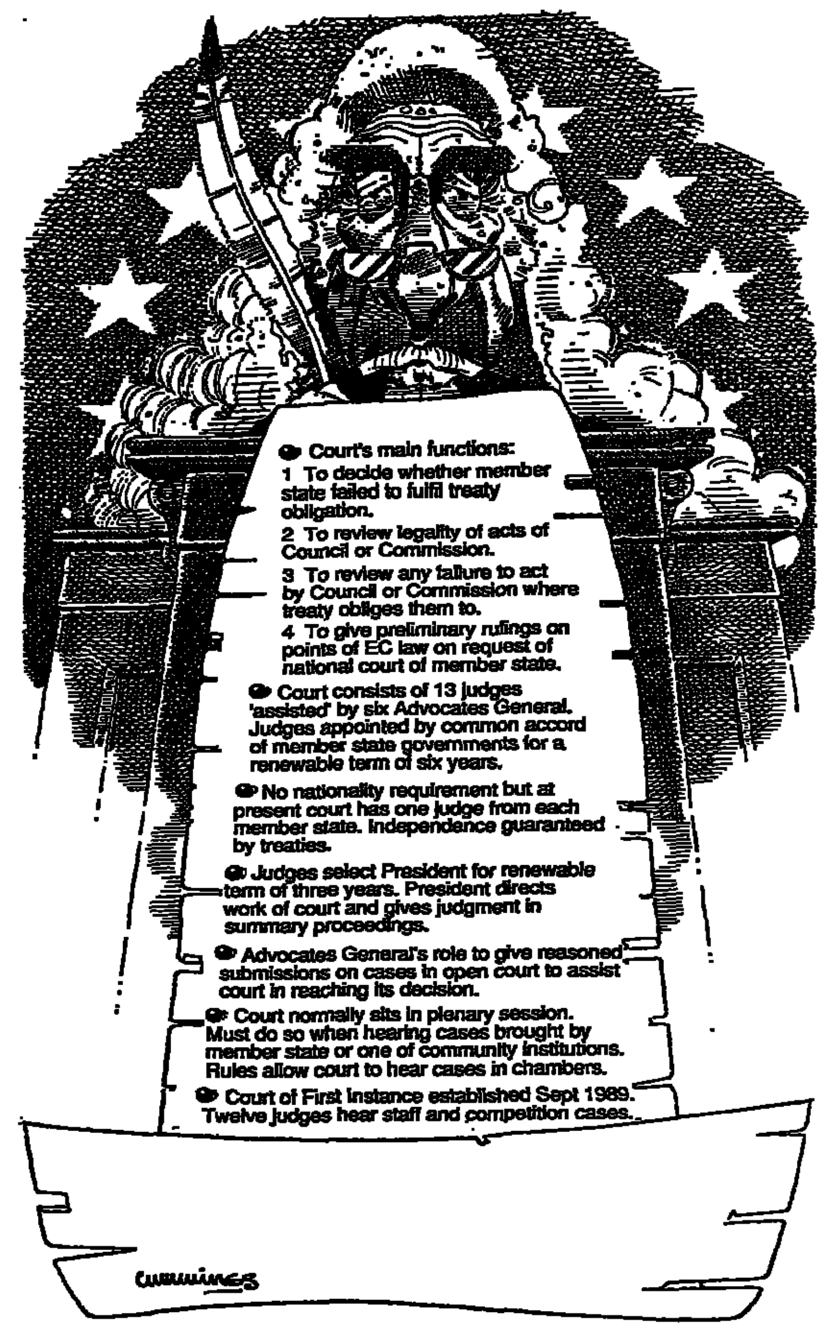
Will the court be able to cope with this growing caseload? Judge Due believes that before anything else is done to enlarge the structure or change its procedures the judges must see what impact the Court of First Instance will have and the quantity of appeals it will create for the Court of Justice itself. They do not expect too many as appeal will be on a point of law only.

Many in Luxembourg are sceptical of it having any real impact, however. Judge Edward says that what has been created is not a court of first instance in the normal sense that it is the first stop in the court system for all cases, but a hybrid.

In more than 90 per cent of staff cases, for example, it will not only be a first stop but a last stop as well. Even in the majority of competition cases it may prove to be a de facto court of last resort. It is a court of very precise, limited jurisdiction, he says, and not a first tier court of a European Court system.

The interesting question for the longer term, he says, is whether it will result in the creation of a European federal court system similar to that in the US with the ECJ acting as a Supreme Court, or whether it is just the first example of the creation of a number of more specialised tribunals. Will trademark disputes come to the Court of First Instance, or will a specialist trademarks court be established, for example?

If, spurred on by the internal market programme, the court's workload continues its rise, such questions will have to be addressed sooner rather than later.



OBSERVER

Sticking by George

■ The new smaller £5 note appears today. As nearly everyone must know by now, there was an argument about whose portrait should appear on the back – George Stephenson's or that of his son, Robert. Robert built the Rocket, but George was the father of locomotion.

Mrs Victoria Howarth, the President of the Robert Stephenson Society, who lives in Robert's old house in Northumberland, put up a formidable, though civilised, fight on Robert's behalf, but the Bank of England stuck by George.

There may be more disputes to come. The new £20 note comes out shortly, featuring Sir Michael Faraday, the electrical engineer. Surely no problems there; nor with Charles Dickens, who will be on the new £10 note in 1992.

It is the new £50 note that could be controversial. The first issue is in 1994, the year of the Bank's tercentenary. (An immensely distinguished committee has long been working on the appropriate celebrations.)

The portrait chosen is that of Sir John Houblon. Sir John Who? Actually, Houblon was the Bank's first Governor, who served until 1697 and stayed on the board for many years after. But he was not really a founding father.

A much better claim could be made for William Patterson, who helped to plan the Bank's formation and draw up its Charter. But, unlike Houblon, Patterson became involved in some disreputable business later in life. Moreover, Patterson was a Scot. So the Bank says that Patterson is out.

Missed chance

■ The Fairmont hotel in San Francisco, a grand gilt and marble pile atop Nob Hill, was the scene of cox and box on a possibly unprecedented scale on Monday. Simultaneously under the one roof, and only for loosely connected reasons, were Mikhail Gorbachev, President Roh Tae Woo of Korea, ex-President Ronald Reagan, Treasury Secretary Nicholas Brady, and assorted hangers-on of the whole bunch.

As if that were not enough, there was also the cream of the Californian business community, who had assembled to greet the Soviet leader, as well as more than 100 of the world's top central and commercial bankers who happened to be holding their annual international monetary conference in the same place.

Roh took the opportunity to promote a bit of Soviet-Korean rapprochement, and Nicholas Brady used the occasion for a few words of encouragement to the bankers. But the one meeting that might have proved most significant in the long run – between the bankers and Gorbachev – never took place. Both sides were too busy to see each other.

Nevertheless, some of the bankers chose to skip a session of their conference on risk management in the hope of catching a glimpse of the great man as he passed through the lobby.

Still looking

■ Less than a week after saying it had a preferred candidate for the chairmanship of National Power, the Department of Energy said yesterday that it was again considering more than one person for the job. This means that Malcolm Bates, deputy managing director of GEC, has dropped out of the running.

The marathon head-hunt has been going on since Lord Marshall left the electricity industry last year,

The Department was yesterday significantly more cautious than a week ago about when it would finally fill the post. Having set two successive deadlines in the past three months, officials are now talking about "shortly".

Bates's office still claims he was never a runner. But well-placed sources insist that his candidacy had been approved in principle by John Wakeham, the Energy Secretary, and that terms were being negotiated with the Treasury.

So either the Treasury talks fell through, or Bates – the deputy to Lord Weinstock – was hauled back over the side by his boss to ensure the succession at GEC.

Meanwhile, National Power seems to run quite smoothly under its chief executive, John Baker. Perhaps they will not need a chairman after all.

"I'm going to withold payment of my poll tax for fifty years."

Gamesmanship

■ The Tonka Corporation, the world's third largest toy company, gave President Gorbachev a special edition of its Russian Monopoly during his visit to Minneapolis.

The original game's Atlantic City Boardwalk has been transformed into Arbat, the pedestrian walk where Ronald Reagan and Gorbachev once took a celebrated walk. Dollars have been replaced by roubles and all references to stocks have been changed to bonds. But, as in the original game, private ownership of railroads and utilities remain the same. The game has been produced in Russian since 1988, but is sold in the Soviet Union only at hard currency shops for $50, almost triple its US price.

Tonka is now seeking Soviet partners to expand its distribution. As a boost, it is trying to include the Soviet Union in the World Monopoly championships in 1992.

The thought has crossed the mind that while the Soviets might be slow in taking to capitalism proper, they are very good at board games. They might even produce a World Monopoly Champion.

Proud father

■ The excellently hung Summer Exhibition at the Royal Academy, which opens on Saturday, contains a portrait of Jacob Rees-Mogg, son of the moralist, Lord Rees-Mogg. It is by an artist unknown to me: Paul Brason. What stands out is the price. Nearby is a superb Ken Howard for £3,750. The tag on Rees-Mogg is £7,800 – one of the highest in the show.

Lithuanian joke

■ President Saddam Hussein of Iraq is on the phone to President Gorbachev.

"Is this correct, Mikhail, that you've stopped supplying oil to Lithuania?"

"Yes."

"And you're not going back on your decision?"

"No."

"You're sure?"

"Yes."

"Well then, if you've no other plans, can I buy the pipeline, in sections?"

Putting the boot in after the kick-off

As the World Cup draws near, Philip Coggan looks at the problem of football hooliganism

Fans from rival football teams get to grips with each other at a Wembley match

e clock is ticking. On une 16, the two most otorious sets of football ers in the world, the and the Dutch, will a World Cup match in a. Many fear the worst, inside the Cagliari , then outside where n fans may act out their s.

all hooliganism is no a purely "English dis- if it ever was. From ghts at games in north- ngladesh to the bitter battle which caused a to be abandoned y in Yugoslavia, the n seems universal.

ulgaria, a man was ed in front of his wife ldren after he asked a spectator to tone down guage. Seven games in na were suspended last because of violence supporters. Drunken n fans last year wrecked ead of a European cup in Luxembourg.

the World Cup 24 l sides, many accompa- loyal supporters, will in Italy. Old and new s will be played out on ld – England versus , Romania versus the Union. It is the task of lian authorities to keep potentially hostile fac- part.

has plenty of experi- f football hooliganism. from Italian soccer vio- eapt from 194 in 1986-87 in 1987-88 and 513 ling two deaths) in In the past two weeks, tine fans have erupted at the L16bn (£7.6m) r of the club's biggest oberto Baggio, to Juven- lice had to use tear gas off attacks on the club while the national preparations have been place behind closed ecause of barracking by ng crowds.

ite this worldwide expe- there is no consensus causes of, or the cure otball violence. In the ord Justice Taylor's into the Hillsborough r gave support to the at improved conditions football grounds, nota- introduction of all-sea- liums, would encourage crowd behaviour.

thers have pointed out n recent years violent nts have been more to occur outside than grounds. The 1960s rase – "society is to – has been invoked, oup of sociologists from er University, Patrick y, John Williams and nning, who have speci- in the study of football hooliganism, recently published a book examining the roots of soccer violence in the UK and elsewhere.*

They argue that one of the primary motivations of football hooligans is the respect of their peer group. The hooligan revels in the image of the hard man, loyal to his friends and unrelenting towards his enemies. A football match, with its segregated ends and tribal colours, is the ideal venue to act out the macho fantasy.

Although there has been much comment on the existence of the well-off, professional hooligan, the sociologists' research into convictions for soccer-related offences shows that in England there is an almost perfect inverse correlation between participation in football hooliganism and social class. The higher up the social ladder a football supporter is, the less likely he is to be a hooligan.

In England, this working-class cult of violence is attached to a fierce patriotism, an ironic perversion of the Dunkirk spirit. Says one security official quoted in the Leicester team's book: "The problem with the English is that when provoked they don't run, they respond."

In other countries, ethnic rivalries add another explosive element to the cocktail. Rivalry between the Croatian side Dynamo Zagreb and the Serbian side Belgrade Red Star provoked a riot where 60 were wounded. In East Germany, football hooliganism has been linked with racial attacks made by neo-Nazi skinheads.

Why the Dutch should be particularly afflicted is something that appears to bewilder authorities in the Netherlands. Neither the Government nor the Dutch FA wants to take direct responsibility for combating the problem. Conservatives blame the liberal, permissive history of the Dutch for encouraging the thugs; liberals say the problems arise from social deprivation.

Internationally, the measures taken to prevent violence have tended to involve both carrot and stick elements. Punitive measures which tend to reinforce the "prison camp" appearance of grounds include: heavy policing; undercover penetration of known gangs; rigorous segregation of fans inside and outside grounds; fences and moats to prevent pitch invasion; and a tendency towards harder punishment by the courts.

Other measures which reportedly have been considered by sports ministers entail the use of metal detectors, turnstile breathalysers and a crackdown on touts. The most controversial schemes attempt to exclude convicted hooligans from games.

The UK Government's plan to introduce a national membership scheme aroused bitter opposition, and in the Netherlands, such a scheme was quickly abandoned after fans threatened to storm the stadiums concerned. There has been more support for banning orders for specific offenders, a measure allowed in the UK by the second half of the Football Spectators Act.

Apart from improving the quality of facilities at grounds, positive measures have largely centred on creating a community atmosphere for clubs and national sides. The Danes have had much success in promoting the friendly image of the "roligan," their archetypal fan. Roligans appear to be older, better educated and more inclined to bring their families than their British counterparts and take pride in their good behaviour.

Those who believe that the best cure for football violence is improved facilities often cite the US and its lavish stadiums as evidence for their case. However, the myth of peaceful American stadiums may be stronger than the reality. A study of newspaper reports of all types of American sporting events between 1960 and 1972 found a total of 312 disturbances classed as "riots" which involved 17 deaths.

Nevertheless, it is clear that the violent element in American youth culture has not strongly attached itself to sport. Perhaps this is because of the middle-class composition of many American crowds; perhaps because of the lack of away supporters at most games. However, the Leicester University team warns that the next World Cup, which will be held in the US in 1994, may provide a stage for English and other European hooligans.

Certainly, the US organisers will be watching this World Cup anxiously. The main threat is that the reputation of the English will cause rival supporters to feel the need to prove their masculinity by attacking them. At the European Championships, German youths waited in ambush for English supporters, causing running battles in the streets which were widely and luridly reported in the UK.

Opinion is divided over whether similar problems will occur in Sardinia. Some, including the Leicester University team, feel that press speculation about the prospects of trouble may actually help cause the problem. Those attracted to trouble will attend in the expectation of having their desires granted.

The Dutch Football Association expects about 10,000 of its supporters to go to Italy for the World Cup but insists that it fears no hooliganism. Although the authorities have held talks with their Italian, English and Irish counterparts, they have done nothing to screen out trouble-makers, provide the Italians with the names of known Dutch hooligans or control ticket sales. England has sent the Italians a list of known hooligans and has attempted to control ticket sales through the FA. In general, the Dutch approach is to pretend there is no problem, and hope for a self-fulfilling prophecy.

Even if the English avoid a confrontation with the Dutch, they must then move (if they qualify) to mainland Italy where resentment still lingers over the Heysel stadium tragedy, in which rioting Liverpool fans caused the deaths of 39 Juventus supporters. Trouble may be avoided, but most involved in football will be crossing their fingers.

**Football on Trial; Spectator Violence and Development in the Football World, published by Routledge*

Additional reporting by Laura Raun in Amsterdam and John Wyles in Rome.

War Crimes Bill

Lords play a game with constitutional cards

By Joe Rogaly

There is nothing so ridiculous as British politicians when they get mildly excited about a "constitutional crisis." The very term is an absurdity. There is no constitution. (If you say there is, please send me a copy.) So how can there be a crisis?

Yet there has been much portentous talk of the "constitutional implications" of the vote on the War Crimes Bill in the House of Lords on Monday night. It cancelled out the twice-expressed will of the House of Commons. Unless the Commons sends the bill back again in much its original form the plan to try suspected Nazi war criminals now living in Britain will be thwarted. In consequence, there has been talk about the will of the people being overturned by a non-representative upper house.

Piffle. The will of the people has nothing to do with it.

Members of Parliament, which in English parlance means members of the Commons, put up with their long hours, their demeaning party disciplines, and their debilitating ineffectiveness by deluding themselves that they personally represent their electors, many of whom have not even heard of them. Of the 650 MPs, only 367 won their seats on a majority vote in 1987; the other 283 are there in spite of winning the support of less than half of those of their constituents who bothered to vote. The party bosses, who live only for the day when they can personally exercise overwhelming executive power, and dream of riding contemptuously over the legislature, do from time to time allow the poor souls on the back benches the luxury of a "free vote." It is usually on a single issue like hanging or, in the present case, the War Crimes Bill.

The free vote of March 19 was a typically British muddle. There were 273 votes for the bill and 60 against it. That means that half the members of the elected lower house abstained. Many of the 273 who voted "aye" are part of what is called, in our great democracy, the payroll vote. It includes ministers, junior ministers, and parliamentary private secretaries. By and large these independent tribunes of the people feel that they should support any bill that has the support of the Government, even on a free vote. (For readers new to British ways: "Government" here means "Prime Minister.")

It is not clear what legitimate democratic role the Lords should play in this little game. Its members include: nobles by lineal descent, some from forefathers who in today's language would be called bloodthirsty gangsters; party hacks who have been given nice retirement jobs; a number who rose to prominence by methods best kept quiet; and a handful of eminent persons who have been given a platform on which to sound off and a fancy dress to wear on ceremonial occasions. These dear old buffers delude themselves in a different manner from the members of the Commons. Every now and then they tell themselves that they have a real use. They are about as useful as an ermine dishcloth on a wet Sunday.

Some of the more distinguished speakers in the House of Lords on Monday night were extremely vague about the so-called "constitutional" implications of all this. Lord Shawcross, a barrister by training, made a powerful speech against the bill, but he was loopy when it came to the constitution. MPs, said he, "were not voting to express the party political opinions which they had been elected to represent . . . they were on a free vote expressing their individual personal point of view on an ethical matter." Up to a point, Lord Shawcross. Some of them were, and some had quite other motivations. Some of them, as the numbers show, simply stayed in the bars.

There are other muddles. The Parliament Act allows the lower house to override the upper, following a short delay. There is a peculiarly British thing called the "Salisbury convention" (never mind its provenance) which prevents the Lords from using their powers of delay when a particular bill was promised in the governing party's election manifesto. The War Crimes Bill could not have been in the 1987 Tory manifesto, since the learned report upon which it is based was not published until last July. As most bills under the present Government are traceable back to that manifesto, just about the only bill to which the Parliament Act could apply is – the War Crimes Bill.

Mr David Waddington, the Home Secretary, may well have reminded his colleagues of this at yesterday's meeting of the Cabinet. I suspect there were wry smiles around the table. Mr Waddington, who has known for a couple of months that there would be an upset in the Lords, has long had his strategy well-prepared. It is a masterly plan: do nothing, at least for a few weeks. During that time those of Mr Waddington's colleagues who now want to let the bill lapse may win the day; alternatively it might be revived if the managers of Commons time can fit it in. Or, again, a private member may bring it forward.

Does it matter? I am in two minds about the merits of the bill itself. As the Chief Rabbi, Lord Jakobovits, said in a speech that out-powered that of Lord Shawcross: "Our vote in this House will be carefully scrutinised throughout the world as an indicator of moral sensitivities in contemporary Britain" – in other words, letting the War Crimes Bill lapse would send the wrong signals to potential anti-semites. Against that, we are talking about a handful of geriatric suspects, nearly half a century after the events. Against that, would you tell a terrorist bomber who took life this week that if he can hide for long enough he will be let off? On a narrow balance of argument, I am with Jakobovits.

As to the merits of the issue insofar as it affects British constitution, it will be a grain of sand towards the little mountain needed to turn the scales in favour of: an elected senate; a clear division of powers between the executive, the legislature and the judiciary; a House of Commons elected on a fair voting system; a Bill of Rights . . . but hold. I talk as if British politicians understood constitutions. Now that *would* be exciting.

LETTERS

ort-termism and the SEC study

r S.B. Wadhwani.

read Simon Holberton's on short-termism ("The d short of it," May 21) me interest. I do not, believe that the US es and Exchange Com- (SEC) study that he actually refutes the of short-termism.

laimed that the finding e public announcement ompany that they are ing on a long-term ent project leads to a the company's share ebuts "the argument market penalises com- that invest in long-term s." Surely, it does no ing.

e who advance the ermism thesis do not deny that the market some positive value to investment. Instead, se for short-termism n the belief that the accorded to the future ds that will flow from w investment is "too lative to paying out div- today. Studying the price response to an cted announcement of estment decision does d much light on this n part because an unex- announcement of ent often implies that and near-term earnings be healthier than was sly thought.

SEC study also claims short-termism thesis is l because there is no ship between the pro- of a company's equity institutions and the spent on research and ment. The implicit nt here is presumably t is institutions that are pied with their own rm performance, then ies where institutional olding is high should reater short-term pres- owever, this is not nec- true.

if the institutions are rmist, it may be rational for other investors also to adopt a short-term outlook. This is because the other investors care not just about the "objective" value of the share, but also what other investors think its value is. It is possible to conceive of equilibria where the extent of short-term pressure faced by companies will be independent of the proportion of equity held by institutions.

Second, there is no reason to believe that short-termism only arises because of the behaviour of institutions. Keynes was worrying about short-termism in the US and UK in the 1930s when institutional ownership of equity was considerably lower.

Evidence from various psychological studies suggests that it is common for individuals to attach too high a weight to current information. Further, individuals are likely to find it more difficult to ride out bad times. In addition, individuals are, on average, less sophisticated and more likely to use simple rules-of-thumb to value shares.

Consequently, it is not clear to me as to whether the identity of a company's shareholders should actually affect the degree of short-term pressure that it faces. For reasons similar to those stated above, contrary to what the SEC study asserts, I would also not expect any systematic relationship between the likelihood of a company being taken over and the proportion of its equity that is held by institutions.

The SEC study also claims that short-termism predicts that companies that spend a great deal on R&D are more likely to be taken over. They then point out that the takeover targets in their sample spent very little on R&D. It is, though, not clear as to what the direction of causality is. One could just as easily argue that companies that knew they were more likely to be taken over (for some third reason) had, in an attempt to prevent this outcome, cut their R&D spending. This interpretation of the same finding would, of course, support the short-termist argument.

To conclude, I do not believe that the SEC study refutes the charge of short-termism. Managers may be right, after all.

S.B. Wadhwani,
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Houghton Street, WC2

From Mr W.A. Nixon,

Sir, Simon Holberton adduces evidence from an SEC study of American companies to support his case that the short-termism of financial markets "offers a scapegoat (the City) for British companies."

I am aware of no evidence which even suggests, let alone provides strong evidence, that the City responds in the same way with regard to information disclosed on R&D and technology investment as Wall Street. Statistical studies linking R&D data to share price movements have not so far been carried out in the UK for the obvious reason that until now the R&D information in the public domain has been very limited. However several surveys (for example Gray, ICAEW, 1985; Scientific Resources, 1989; Goodacre et al, ESRC-DTI, 1989) and a wealth of anecdotal evidence suggest that the London stock market is relatively insensitive to information on R&D and investment for the long term.

In the US there is a strong belief among businessmen that if you have to report a fall in earnings you should not make a bad situation worse by also reporting a reduction in R&D. That is a belief which definitely does not apply in the UK but which the recent disclosure requirement may eventually change.

William A. Nixon,
Department of Accountancy
and Business Finance,
The University, Dundee

The Armacost approach

From Mr Aaron M. Cohen.

Sir, As an American in Tokyo I was pleased to read Ian Rodger's report on our ambassador, Michael Armacost ("US defends its trade offensive in Japan," June 5).

I was present when he made his first public appearance as ambassador and heard him say he would work like "the first commercial officer," but winced immediately, because the Commerce Department is hardly concerned with financial affairs and his remark suggested that he would not concern himself with that aspect of the relationship.

As an economist with a Japanese brokerage, I have to balance personal and professional views, but on the whole I think both Japan and America are better off with Mr Armacost sitting in his attaché's chair.

I cannot share all his confidence, however, that the Japanese views of my own country have not suffered somewhat from our pushing them around through the Structural Impediments Initiative. My hosts certainly should ponder the implications of having a bureaucracy which was not able to make many of these changes (cum improvements) without external pressure. It seems to me that the Japanese are like young men who in their waking dreams have pursued Marilyn Monroe (a cult heroine here) and have woken up with the realisation that they now have the largesse to woo her, and in better cars than she drove for that matter.

But the SII "talks" are bringing not only benefits but also imposition of change to a country that has preferred evolution over revolution for more than a millennium. I wonder if those techno-hip rich young men will be unchanged by what is going on.

Aaron M. Cohen,
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Chiyoda-ku, Tokyo

way to help Soviet workers benefit from economic reform

r S.A. Baskett.

am surprised that you be advocating the dis- n of shares in their ies to Soviet citizens as t means of ensuring ey benefit from the d efficiency of reform ng Mr Gorbachev,"

It would be cruel indeed to compensate employees made redundant by giving them shares in an enterprise in whose efficiency improvement they are being denied the opportunity to participate.

What about the companies that go bankrupt? It would make a very interesting introduction to capitalism to find yourself the lucky owner of one of those shares.

By all means encourage productivity by paying bonuses in the form of shares, or better, options to employees. And by all means encourage equity participation, but in some suitably diversified form, such as a unit trust invested in a wide range of fledgeling enterprises. That way everyone will win and everyone will have a prize.

Isn't that what capitalism is all about?

Stephen Baskett,
School of Industrial and
Business Studies,
Warwick University, Coventry

FINANCIAL TIMES
Wednesday June 6 1990

GUINNESS TRIAL

Saunders opens defence on share charges

By Raymond Hughes in London

Mr Ernest Saunders, former chairman of Guinness, the UK drinks group, went into the witness box yesterday to give his version of the events which brought his downfall as one of Britain's leading corporate figures.

Mr Saunders was defending himself at Southwark Crown Court in London against allegations that he played a leading role in a massive unlawful share support operation during Guiness's bitterly-fought £2.7bn ($3.4bn) takeover battle for the Distillers drinks group in 1986.

Speaking before a packed court, Mr Saunders who was sacked as chairman and chief executive of Guinness in 1987, said that when he was headhunted six years earlier it had been "a public company but behaving like a family business or a club."

There had been no cohesive management, the various divisions being in the hands of "barons". In terms of professionalism he ranked it as zero. "The company was split between the many, many businesses which had been acquired - an extraordinary hotchpotch from snake pit venom to baby potties."

The only properly managed area had been the making of Guinness beer itself. "What they didn't know was how to sell it."

He had gone on a whistle-stop tour of the group's many companies to gain a first-hand knowledge of what they were doing and how they were doing. "The results were terrifying."

Mr Saunders had sat in court for 14 weeks and listened to 50 prosecution witnesses before being able to put his side of the story.

Before he began his evidence he heard his counsel Mr Richard Ferguson, QC, tell the jury he was "a ruined man, stripped of the means of earning a livelihood, his personal life in ruins and his health undermined, cast off by the company he served loyally for five years."

But, Mr Ferguson added, "he still has something to fight for – and that is his credibility."

Mr Saunders said that in 1981 Guinness had lost its way. It had diversified and lost money and believed its main product had become unfashionable.

The company had been "at best stagnant", with declining profits.

Mr Saunders, wearing a navy-blue double breasted suit, said he had been born in Vienna in 1935, the son of an obstetrician. The family had come to England in 1938 after Hitler annexed Austria.

He recalled a childhood in which his father's striving for excellence had been a "credo" in his family's life – "something I tried to follow throughout my career in business."

He said that, initially, Guinness had wanted him as "some form of troubleshooting marketing person."

Stressing his background as a marketing man, Mr Saunders said that when he joined Guinness his financial expertise had been, by today's standards, "rather primitive." He had lacked the skills a proper managing director required and had therefore relied heavily on Guinness's financial staff.

Details, Page 11

Seoul opens crack in cold war ice

John Ridding on South Korea's new relationship with Moscow

THIS WEEK'S historic meeting between President Mikhail Gorbachev and Mr Roh Tae Woo, his South Korean counterpart, is the clearest evidence so far of shifting superpower interests on the Korean peninsula.

Since the 1950-53 Korean war, in which Soviet-backed Chinese and North Korean forces fought US and UN-backed South Korea to a stalemate, the Korean peninsula has remained one of the iciest areas of the cold war. But as in eastern Europe, Moscow's changed priorities promise to shake up the rigid alliances which have endured since the country's division.

"Their agreement to normalise relations is an important link in the chain of events needed to reduce tensions on the peninsula," says one western diplomat. But whereas the easing of cold war tension in Europe prompted the fall of the Berlin Wall and German reunification, the reconciliation of North and South Korea remains a more intractable problem.

As with the changes which have swept eastern Europe in the past year, much of the incentive for improving relations with South Korea is economic. A general strategy of withdrawing from expensive superpower commitments has combined with rapidly expanding economic links with South Korea.

Bilateral trade, based on the exchange of Soviet resources and Korean consumer goods, doubled last year to $600m while South Korean companies have announced a string of investments in the Soviet Union.

For South Korea, Moscow is the prize scalp in its policy of Nordpolitik – the establishment of diplomatic relations with communist states in an attempt to pressure Pyongyang into negotiations. It also represents a political coup for President Roh, who has seen his popularity slump because of domestic economic and social concerns.

The coincidence of interests should be sealed by the establishment of full diplomatic ties, possibly by the end of this year. Such a move would in turn raise the possibility of Moscow's acceptance of South Korean membership of the UN. Seoul officials believe there are more significant implications.

"The cold war ice has started to crack," said Mr Roh. "This is the first major step to a peaceful and unified Korea."

South Korean President Roh Tae Woo (left) and Soviet President Mikhail Gorbachev at their historic meeting in San Francisco yesterday

At the superpower level there is likely to be further movement. Pyongyang and Washington are taking cautious steps to improve ties – the two sides have held nine rounds of talks in Peking since 1988 and last week North Korea handed back the remains of US servicemen for the first time in over 30 years.

But while the US is eager for an easing of tensions on the peninsula, partly through a desire to reduce its military commitment to South Korea, progress has so far been slow. It has been even slower between Seoul and Peking, Pyongyang's other principal backer. Trade has grown steadily, and is now much higher than Sino-North Korean trade, but there has been little diplomatic activity.

"China is now the key, but it has been reticent about improved relations with Seoul," says one western diplomat. "It is preoccupied with domestic political problems and is reluctant to recognise two Koreas because of the obvious parallels with Taiwan."

It is between the Koreas themselves, however, that the difficulties are greatest. A flurry of proposals from Seoul and Pyongyang is expected following the summit meeting in San Francisco and North Korea has already proposed setting up an inter-Korea hotline and reducing troop levels.

BUT analysts are cautious about progress. "It is possible we will see a resumption of contacts which are currently suspended, including negotiations towards parliamentary-level talks and joint economic projects," says one diplomat. "But concrete achievements are going to take time. There is a legacy of bitterness and suspicion created by nearly four decades of hostility and separation."

With respect to the ultimate goal of reunification of the peninsula, even South Korean officials play down comparisons with Germany. "The two German states never fought a war against each other and have not suffered the complete separation which we have endured," says one.

President Roh's policy of Nordpolitik is itself a reflection of the meagre gains of bilateral diplomacy. "The road from Seoul to Pyongyang is totally blocked," says Mr Roh. "We have to find an alternative route through Moscow and Peking."

The pressures for change in North Korea are mounting – both economically and diplomatically – and Moscow remains Pyongyang's most important source of military and economic assistance.

But so far, Moscow's rapprochement with Seoul appears to have prompted anger rather than any real change and closer ties to Peking.

A North Korean foreign ministry spokesman said a meeting between Mr Gorbachev and Mr Roh would be "a serious political issue concerning the freezing of the division of our country." He said that Pyongyang opposed a "two Koreas" policy and "any action which obstructs our policy of reunifying the country under any condition."

As long as such policies are maintained, and Kim Il Sung remains in power to implement his doctrine of "Juche", or self sufficiency, the prospects for change are limited. But time is now very much on the side of South Korea.

UK vote on war crimes provokes storm in parliament

By Philip Stephens, Political Editor, in London

THE BRITISH Government stepped back yesterday from an immediate confrontation with the House of Lords, the upper house of parliament, over the House's rejection of its legislation to allow the prosecution of alleged Nazi war criminals living in Britain.

The Lords vote, in the small hours of yesterday morning, was the first time for 40 years that the House had blocked a government bill at that stage of its passage through parliament. It raised a number of delicate constitutional and political issues.

The decision by the Lords, by 207 votes to 74, reflected their concern that defendants in such trials might find it impossible to receive a fair trial. There was also considerable anxiety about the principle of retrospective legislation.

Ministers had stressed that members of both houses of parliament were free to exercise their consciences on a free vote on the issue, which was not a party political matter.

However, the Lords' decision provoked anger among members of the House of Commons, who had previously given overwhelming all-party support to the bill.

Mr David Waddington, the Home Secretary, advised the Cabinet "to let the dust settle" before judging whether to seek to overturn the Lords' decision to throw out the bill.

Mrs Margaret Thatcher, the Prime Minister, was said to share Mr Waddington's view that the Government should reintroduce the legislation in the next session of parliament which begins in November.

The rarely used Parliament Acts could then be invoked to overule the Lords decision and thus reassert the primacy of the House of Commons.

Speaking in the House of Commons yesterday, Mrs Thatcher said she recognised the strong feelings of MPs over the "hideous" nature of the crimes committed by former Nazis now believed to be living in Britain.

She also made clear that MPs would be offered another chance to express their views on the Lords' decision.

Mr Waddington, however, was said to have accepted the advice of the Government's business managers at Westminster that it should allow a breathing space before committing itself.

Sir Geoffrey Howe, the Deputy Prime Minister, is among a number of ministers who fear that reintroduction of the bill could provoke a damaging confrontation in what might be the last parliamentary session before a general election.

Ministers also want to study a range of other options which might take the political sting out of the issue – including the possibility that the bill could be reintroduced by a backbench MP rather than by the Government.

THE LEX COLUMN

Undermining the City's values

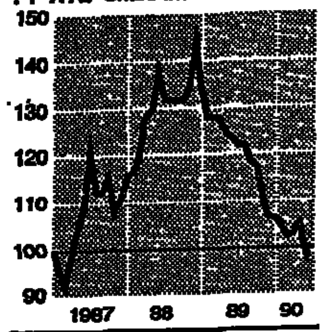
Only two weeks after Land Securities reassured the markets by revealing only a 2¾ per cent decline in its City property valuation, Great Portland's 17 per cent downgrading has restored the air of gloom. The existence of two such divergent valuations indicates that you pays your valuer and you takes your choice. The presence of international investors, who tend to be interested mainly in landmark buildings, adds to the confusion. But in the City, in particular, there are plenty of developments, commissioned in the bull market, still to come on stream; the outlook will get worse before it gets better.

The risk is not that the large investment companies such as Great Portland will go under, but that the development companies will have their margins wiped out by a combination of high interest rates and falling values. The retail sector is already causing headaches and the problems of London's office market will inevitably spread slowly out to the rest of the country.

Those who have most cause to worry are the banks, which have lent £34bn to UK property companies. With the likes of the Pru withdrawing from the sector, it will take a long time for that sum to be refinanced with equity. Although the secondary banks are not involved as they were in 1974, plenty of foreign banks are major lenders. They may not have the patience to see out the downturn.

The equity market seems currently blasé about a property sector collapse, perhaps because it is a much reduced component of institutional portfolios. Indeed, with some major property companies at 40 per cent plus discounts, some may be tempted to call the bottom of the market. But many a UK company has fuelled profits growth with judicious property deals over the years; that source of income could be about to disappear.

Property
FT-A Index relative to the FT-A All-Share Index



Tomkins

The era of the mega-bid is far from over. Willis Faber's proposed £1bn merger with Corroon & Black on Monday, and now Tomkins £323m conditional bid for Philips Industries, would have been unthinkable a couple of months ago. But stock market confidence has improved sufficiently that medium sized UK companies, and their ambitious advisers, are once again cranking up their paper-issuing machines. It is as if the recent unfortunate US experiences of Beazer, the Saatchis, Blue Arrow *et al*, had never happened.

Of course, these bids are different. In Willis Faber's case it feels it just has to be a big player in the US market to survive. Tomkins, by contrast, can point to a reasonable record of US acquisitions and a BTR style-commitment not to dilute shareholders. The collapse of the junk bond market means that the financial players are no longer competing to bid up prices to silly levels, with the result that Tomkins thinks it can buy companies cheaper than it could a year ago. Nevertheless, close to 15 times admittedly depressed 1990 earnings does not sound terribly cheap.

Tomkins has a good record, is more conservatively financed than many of its peers, and is taking considerable care not to upset its big shareholders. It deserves a reasonable hearing. However, it will probably have to double the number of shares in issue while Willis is proposing to increase the number of its outstanding shares by two thirds. Tomkins freely admits that it is exploiting a window of opportunity. The market will quickly lose some of its recent lustre if many more such companies begin to appear, however plausible their story.

Saatchi

The basis for valuing Saatchi & Saatchi's ordinary shares becomes progressively more obscure. It is not news that there will be no dividend this year. But it is now apparent that there will be none next year either: nor can anything be guaranteed this side of the £212m convertible repayment due in 1993.

Net debt is claimed to have peaked in March at £277m, and the haemorrhaging of cash – £65m in the first half – is reported to have stopped. Average monthly debt by the year end is budgeted at £260m, compared with £212m the year before; and from that must be deducted the £33m or so raised yesterday on the sale of the Hay Group. But the convertible, which in essence represents money thrown away on the disastrous foray into consulting, still looms like a rock in mid-channel. It can doubtless be refinanced, but scarcely at the existing 6.75 per cent.

Nor is it clear that the advertising business retains its old force. Recent defections apart, the original UK business only broke even in the first half of the year. Grappling with the complacency of the old Saatchi culture, the new management has been reduced to shifting the year end so that executives will be back from Tuscany and the Dordogne in time for the annual budgeting sessions. The present price of 107p and market value of £169m could only be justified on the basis of takeover. It is not clear why anyone would be interested.

Boots/Smith

The DIY joint venture between Boots and W.H. Smith looks like both parties making the best of a bad job. The deal will apparently add 1 per cent to Boots's earnings in the first year, and the venture will be cash positive from the outset despite its formidable start-up costs. But however generous a value one imputes to the new venture, it is hard to make the sums justify the £890m Boots paid for Ward White last August.

There is no disputing that the new chain will constitute an important third force in the DIY end-game, along with B&Q and Texas Homecare. Nor is it seriously in doubt that the DIY market has further to grow after interest rates come down. But the merger programme, besides costing £100m over the next two or three years, will involve a formidable job of integration and refurbishment. It is not to be supposed that the competition will meanwhile be standing still.

On a worst case, the new venture could find itself ready to go just as the market reaches maturity. Comparison might be drawn with the maturing of the grocery sector: while there is certainly room for another player, the question is whether it will prove a real force or a confederation of weakness – an Argyll or a Gateway.

Roh sees talks as prelude to reunification

By Lionel Barber in Washington

PRESIDENT Roh Tae Woo of South Korea arrived in Washington yesterday to report on his meeting with Soviet President Mikhail Gorbachev, which paves the way towards opening diplomatic relations with the Soviet Union.

Mr Roh was due to hold talks with President George Bush, who encouraged Monday's meeting with Mr Gorbachev in San Francisco, the first time the heads of state of South Korea and the Soviet Union have met since Korea was divided in 1948.

After the meeting, an elated Mr Roh said the two leaders had agreed to establish full diplomatic relations. He forecast that his talks would eventually lead to the reunification of Korea.

Mr Gorbachev was more circumspect. "Let the fruit grow ripe, and when it grows ripe we shall eat it," he said before leaving for San Francisco airport on his way home.

The Bush Administration has encouraged the normalisation of relations between Seoul and Moscow.

Washington wants to isolate the aggressive Communist regime in North Korea, which it suspects may be embarking on a nuclear weapons programme. At the same time it wants to reduce tensions in the Korean peninsula, allowing it to cut troops, now numbering 43,000, and save money at a time of shrinking defence budgets.

Mr Roh emphasised that normal relations with Moscow would boost trade and economic ties. South Korea could provide Soviet Siberia with much-needed technology and investment capital.

This is a powerful incentive to Mr Gorbachev, who wants to break down old cold war alignments in Asia and encourage Japan and other capitalist countries in the Far East to invest in his economy.

Mr Roh said he had promised South Korea would not seek military superiority against the north. In return, he expected Moscow to reduce military aid to North Korea and prod the regime to open talks with the south.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	25	77	Dallas †	S	23	73	Madeira	S	21	70	Prague	F	17	63
Algiers	F	26	79	Dublin	C	12	54	Madrid	S	23	73	Reykjavik	C	9	48
Amsterdam	S	18	64	Dubrovnik	S	22	72	Majorca	S	25	77	Rhodes	S	24	75
Athens	F	24	75	Edinburgh	C	15	59	Malaga	S	29	84	Rio de Janeiro		–	–
Bahrain	S	34	93	Faro	S	24	75	Malta	S	25	77	Rome	F	21	70
Barcelona	F	23	73	Florence	C	23	73	Manchester	R	13	55	Salzburg	S	18	64
Belfast	R	9	48	Frankfurt	F	17	63	Melbourne	C	13	55	S'Francisco †	F	12	54
Belgrade	F	20	68	Geneva	R	12	54	Mexico City		–	–	Santiago		–	–
Berlin	Dr	13	55	Gibraltar	C	23	73	Miami †	S	26	79	Seoul	S	25	77
Biarritz	[illegible]	16	61	Glasgow	R	12	54	Milan	C	18	64	Singapore		–	–
Birmingham	R	13	55	Guernsey	R	12	54	Montreal †		–	–	Stockholm	C	16	61
Blackpool	R	13	55	Helsinki	C	21	70	Moscow	R	15	59	Strasbourg	S	20	68
[illegible]	F	22	72	Hong Kong		–	–	Munich	S	17	63	Sydney	C	16	61
Bordeaux	F	18	64	Innsbruck	F	18	64	Nairobi	C	23	73	Tangier	C	21	70
Boulogne	F	16	61	Inverness	C	14	57	Naples	F	26	79	Tel Aviv	C	25	77
Bristol	R	13	55	Isle of Man	R	11	52	Nassau		–	–	Tenerife	F	24	75
Brussels	F	17	63	Istanbul	S	22	72	Newcastle	R	13	55	Tokyo	C	22	72
Buenos Aires		–	–	Jersey	R	14	57	New Delhi	S	40	104	Toronto †	S	10	50
Budapest	F	23	73	Johannesburg	S	11	52	New York †	S	13	55	Tunis	S	30	86
Cairo	S	31	88	Las Palmas	F	21	70	Nice	F	22	72	Valencia	F	28	82
Cape Town	C	14	57	Leeds	R	13	55	Nicosia	S	23	73	Venice	C	20	68
Cardiff	C	11	52	Lisbon	S	20	68	Oporto	S	18	64	Vienna	F	19	66
Chicago †	[illegible]	11	52	Locarno	C	19	66	Oslo	F	20	68	Warsaw	C	13	55
Cologne	F	19	66	London	C	15	59	Paris	F	18	64	Washington †	S	30	86
Copenhagen	F	22	72	Los Angeles †	S	16	61	Peking		–	–	Wellington		–	–
Corfu	S	25	77	Luxembourg	F	15	59	Perth	C	20	68	Zurich	F	17	63

C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder.
† Noon GMT temperatures

Japan N-plants plan

Continued from Page 1

would increase by about 35 per cent in the next 20 years and, in order to reduce carbon dioxide emissions, the share of non-fossil fuel energy should increase from the 1988 level of15 per cent to 26.5 per cent by 2010.

Miti is debating the carbon dioxide issue with the Environment Agency, which wants to stabilise emissions at the present level by the year 2000. However, the ministry argues that any attempt to limit emissions in the next decade will hinder Japan's economic growth.

The report also recommended that about half of the country's detached houses should have solar energy panels installed in them over the next two decades and that research be instigated on tapping the large amounts of potentially useful energy released by factories and waste disposal plants.

Japan is under increasing international pressure on environmental issues, and the Government wants to present a proposal on carbon dioxide emissions to the Group of Seven summit of leading industrial countries in Houston, Texas, next month.

This is in spite of the wide differences between Miti and the Environment Agency.

Soviet arms cuts pledge

Continued from Page 1

At his summit meeting with President Bush last week, Mr Mikhail Gorbachev, the Soviet President, reiterated the Soviet Union's opposition to a unified Germany being a member of Nato. He specifically cited the lack of change in Nato's military posture as one of the main reasons for Moscow's concern.

After a tripartite meeting between Mr Shevardnadze, Mr Baker and Mr Hans-Dietrich Genscher on German unification in the margins of the human rights conference yesterday, the ministers declined to give any details of their talks.

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NSIDE

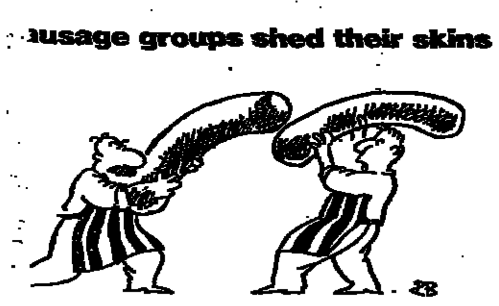
Decade of the mega broker

Conventional wisdom in the insurance industry holds that the 1990s will be the decade of the 'mega-brokers' with four or five companies coming out on top. Viewed in this light, the £1.1bn ($1.84bn) merger between Willis Faber of the UK and Corroon & Black of the US to create the world's fourth largest broker looks timely. The merged company will start the 1990s with money to spend on acquisitions as the world insurance market enters a period of radical change. Page 31

Purchasing in a poor climate

Signs of a slowdown in international chemicals are causing concern for most managers in the industry. But Jon Huntsman (left), head of the US's biggest private chemicals group, is unperturbed. A poorer climate, he believes, could prompt other companies to sell their plants to Huntsman, providing a fresh basis for the group's expansion. Over the next three years, Huntsman plans to spend up to $200m on acquisitions and building new plants. Page 34

Sausage groups shed their skins



A Spanish manufacturer of cellulose wrappings in which sausages are cooked, Viscofan, is taking over complete control of its biggest rival in the field, the West German sausage casing producer Naturin Werk, Becker & Co, for almost $160m. Meanwhile, control of Italy's Negroni, a leader in high quality pork meat products, has passed to the US multinational Kraft General Foods. Page 22

BASF launches Agfa bid

BASF, West Germany's largest chemical concern is launching its second attempt to buy up the magnetic tape business of Agfa Gevaert, a subsidiary of Bayer, also among the country's top three chemical groups. No price for the proposed deal has been given. Cartel authorities objected to similar plans in 1987 but are now preparing to assess changes in the European and worldwide tape markets. Page 22

De La Rue bears reshape costs

De La Rue, the bank-note printer, yesterday unveiled full-year profits figures bearing the costs of a substantial restructuring programme, which includes the sale or closure of all its troubled high-technology subsidiaries. However, the company also set out a four-point strategy for the future and said that current-year order books for all part of the business were "in good shape". Nikki Tait reports. Page 27

Market Statistics

Companies in this section

ef price changes yesterday

KFURT (DM)			
s Verk	880	+	20
	2640	+	65
	834	+	9
	371	+	15
gen	623	+	15.8
loyd	442	−	15
YORK ($)			
	69⅝	+	2
	71	+	2¾
ds	17⅜	+	3⅜
Pac	43⅝	+	1½
eld	118¼	−	⅝
	47	−	1¾
(FFr)			
	1370	+	66
Rhone Cl	467.9	+	14.3
Falls			
CFF	1310	−	71
Imm Phenix	117	−	6.6
Moulinex	112	−	6.1
Unibail	899	−	43.8
TOKYO (Yen)			
Rises			
Chuo Paperb'd	900	+	100
Inui Steamship	1210	+	130
Miyoki Keori	3940	+	390
Teikoku Hume			
MF	3530	+	330
Falls			
Mitsui Wharf	3100	−	350
Miyazaki Bank	1100	−	90
ON (Pence)			
nd	520	+	16
	416	+	8
	660	+	12
son	457	+	6
	274	+	22
	786	+	9
	214	+	10
Bank	310	+	10
Ffyn	241	+	25
S	107	+	6
Body Shop	450	−	12
BP	326	−	6
Cable & Wire	549	−	8
Davies&Newman	475	−	53
Expedier Leis	58	−	5
Hall Eng	130	−	25
Hammerson A	715	−	11
Land Securities	509	−	17
MEPC	501	−	17
Tomkins	288	−	14
Willis&Faber	250	−	15

SEBanken takes control of SBG

By Robert Taylor in Stockholm

SKANDINAVISKA Enskilda Banken, one of Sweden's leading commercial banks, is to purchase for £152.7m ($255m) all the shares it does not already own in Scandinavian Bank Group (SBG), the London-based consortium bank. SBG is the 15th biggest UK bank by asset size and the move will strengthen SEBanken's international merchant banking position.

This is the largest banking acquisition by a Nordic bank, and is a further illustration of the trend for consortium banks to be bought out by one of their member companies.

At present SEBanken owns 21.7 per cent of SBG. It intends to buy up the 31 per cent owned by Norway's Den norske Bank, the 31 per cent of the Union Bank of Finland, the 12.5 per cent of Denmark's Unibank, and the 3.8 per cent owned by Iceland's Landsbanki Islands.

The Nordic banks will in turn acquire shares in SEBanken to a total value of SKr600m ($99m) later in the year when Sweden's banking laws are liberalised. This amount equals investments SEBanken has already made in the other member banks.

"We have started to move again," said Mr Bo Ramfors, SEBanken's chief executive, yesterday. "Through this acquisition we have become a European investment bank with a Nordic base."

Mr Ramfors added that he thought SBG would be more attractive under one owner than it was as a consortium. The purchase had also removed an important competitor for SEBanken in merchant banking.

Mr Garrett Bouton, SBG's chief executive, said yesterday that it was hoped that the deal could be finalised within two months and the 'key decisions' would be taken within 30 days.

Mr Bouton also stressed the importance to SEBanken of SBG's Treasury money market risk management business.

A new merchant banking group is also to be established in London which will bring together SBG's resources with those of SEBanken's own London branch office and Enskilda, SEBanken's existing investment bank.

This new venture will be headed by Mr Gerard De Geer as chief executive. He is at present Enskilda's chairman, and in his new role will report back to Mr Ramfors in Stockholm.

SBG was first established in London in May 1979 by SEBanken, along with Bergen Bank of Norway and the Union Bank of Finland as founder partners. It was seen as a way to provide international services to the major customers of the founding shareholders.

Last year SBG made a loss before tax of 3.2m, mainly due to the burden of its third world debts. The bank expects, however, to return to profit this year. After being floated in 1986, it left the London Stock Exchange last December to become a privately owned group.

Flat out to pump up Firestone

Stefan Wagstyl looks at Bridgestone's efforts to turn round the US group

Bridgestone, the Japanese tyre maker, no longer tries to hide the difficulties it faces at Firestone Tire and Rubber, the US company it bought two years ago for $2.6bn.

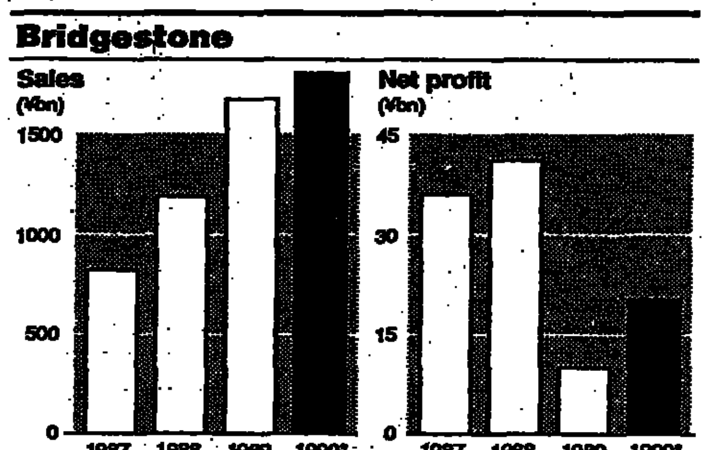
In a public admission of Bridgestone's difficulties, Mr Teiji Eguchi, the chairman, earlier this year swallowed his pride, packed his bags and moved to Firestone's headquarters in Akron, Ohio. There he will stay until Firestone's recovery materialises.

Putting a brave face on things, 63-year-old Mr Eguchi, a member of Keidanren, the Japanese employers' federation, said keeping in touch in Tokyo would be easy with up-to-date telecommunications and frequent travel. Turning Firestone around is the key to Mr Eguchi's and Bridgestone's future. In the year to last December, losses at the US company dragged down Bridgestone's consolidated earnings by 75 per cent to Y9.6bn ($63.5m). The net return on sales, which climbed 41 per cent to Y1,689bn through the inclusion of Firestone, fell sharply from 3.4 per cent to 0.6 per cent.

The company does not expect Firestone to break even until 1992. At least until then, Bridgestone will be ham-strung in its efforts to keep pace with the intensification of competition in the world tyre industry. Its hope is that once Firestone is properly modernised and integrated, the group will achieve its goal of competing on equal terms with the industry's two other giants – Goodyear of the US and Michelin of France.

"Only the big companies will survive. In this industry size is important," says Mr Akira Yeiri, the president.

Mr Yeiri and his colleagues knew there were problems at Firestone before they bought it. Five years earlier, they had purchased a Firestone factory, which showed all the effects of lack of investment in new plant and equipment. But Bridgestone turned it around.



Executives realised it would be difficult to do the same with the whole of Firestone. However, they needed a foreign partner with bases in North America and Europe to match their own position in Japan and Asia.

Their first thought was to approach Goodyear, the number one US tyre company, with proposals for a merger which would have created the world's largest tyre manufacturer. But in talks in Hawaii in 1987, the two sides failed to agree terms. In particular Bridgestone baulked at the high value Goodyear sought to put on its trans-American oil pipeline – a loss-making venture.

Bridgestone then turned to Firestone and agreed to buy its tyre operations for $1.25bn. But Pirelli, the Italian maker intervened with a rival bid, and Bridgestone was ultimately forced to pay $2.6bn for the whole company, complete with 54,000 workers, including 7,500 white-collar staff, and two headquarters. Mr Yeiri at the time described the takeover as "a whale swallowing another whale."

Bridgestone moved fast. Within six months it announced a $1.5bn modernisation programme to put right years of Firestone neglect. It also closed Firestone's auxiliary head office in Chicago and Bridgestone's own American base in Nashville, Tennessee, to concentrate operations at Akron. Fearful of the political consequences of large-scale lay-offs, it began to slim Firestone's management through voluntary early retirements.

By the middle of last year, however, it became apparent that Firestone was not responding to treatment quickly enough. Mr Yeiri says the productivity difference between the two sides of his empire is still huge even though it is smaller than in it was in 1988. Firestone last year had 54,000 workers and sales of $4.5bn. Bridgestone had 30,000 workers and sales of $7bn. The goal is to close the gap by 1992.

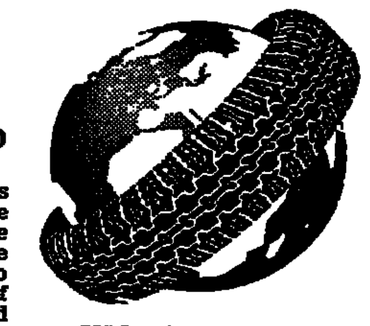
Bridgestone is certain that its capital investment programme will pay dividends. To maximise the value of the new Japanese technology it is installing, it also needs to improve the quality of its US and European workers and their supervisors. Earlier this year the group launched a sister plan system under which 13 Firestone plants in Europe and the Americas are twinned with eight Bridgestone factories in Japan. The factories are matched by their size and similarity of products.

Every day the sister plants exchange information – a euphemism for the fact that the Japanese managers monitor their Firestone counterparts. Teams of workers from Japan have been sent on tours of work to Firestone plants, while Firestone employees have been despatched for training to Japan on trips which include staying in Japanese workers' homes. At any one time some 200 Bridgestone staff are on secondment to Firestone.

Mr Akihiro Ono, a group vice president, says: "We can't change the American environment. We can't stop them taking holidays or make them work three shifts instead of two. But there are things we can do."

Bridgestone has made progress – it estimates that the proportion of defects to total output at Firestone has fallen by half in two years. Output per man has risen from about 60 per cent of the Bridgestone figure to 70-80 per cent. However, the group declines to provide detailed figures for fear of discouraging Firestone workers.

As Bridgestone has got to grips with Firestone, it has realised that its real problems are not on the shopfloor but in the layers of managers sitting above the factories. Mr Yeiri says: "With hindsight, it was easier to buy one plant rather than a whole company because one plant doesn't have any bureaucracy. We got a headquarters full of American bureaucrats."



WORLD TYRE INDUSTRY

Bridgestone was shocked at the amount of time and money wasted. Departmental managers interested in preserving and enhancing their own power rarely consulted other departments. Managers knew little of what their peers were doing. Mr Yeiri says Firestone had a typical "American-style system of top-down management," where instructions flow from the top down. Bridgestone began to introduce Japanese-style bottom-up management, encouraging workers to make suggestions to the managers instead of just following orders.

Mr Eguchi's transfer to Akron is the logical culmination of this process of trying to galvanise Firestone's managers.

He has no authority to make day-to-day decisions but is expected to speed decision-making and, in Mr Ono's words, to teach "Japanese-style management to foreign managers." Mr Ono denies that the move is an attempt to put pressure on Firestone. However, he adds: "The fact that the chairman of Bridgestone is sent to Akron symbolises Bridgestone's strong commitment to Firestone. If somebody feels they are under pressure we are not surprised they feel that way."

This is the fourth in a series. Previous articles appeared on May 10, 18 and 25.

Tomkins plans $550m US purchase

By Nikki Tait in London

TOMKINS, the UK industrial conglomerate headed by Mr Greg Hutchings, yesterday announced plans to acquire Philips Industries, a diversified Ohio-based industrial company, for $550m.

The deal has been agreed in principle with the quoted US group, which has been in abortive leveraged buy-out negotiations for many months. However, the two sides must now complete a definitive merger agreement and gain approval from shareholders. Because of Ohio regulations, the bid has to be effected by a shareholder-approved "cash merger" rather than a traditional tender offer.

Tomkins, which is making its first acquisition since buying the Murray Ohio lawnmower and bicycle business in 1988, plans to finance the purchase by a similar-sized rights issue.

Unusually, however, the company did not announce the terms or attempt to underwrite an issue yesterday.

Instead, it intends to market the deal to institutional shareholders over the next two weeks, and says that half a dozen investors have already been sounded out ahead of the announcement. The rights issue will then be underwritten on June 19, as the merger agreement is finalised.

Yesterday, Mr Hutchings said that this cautious approach reflected a desire to avoid the danger of unwanted stock overhanging the company's share price. A convertible preference share issue to fund the Murray Ohio deal received only a lukewarm response two years ago. Moreover, in this case, the cash call will be fairly significant, given that the deal itself increases the size of Tomkins by more than 50 per cent.

The Tomkins offer for Philips equates to $18.50 a share, and, in New York, shares in the US company gained $3⅜, to $17⅞ in fairly heavy trading.

Philips – whose 75-year-old chairman, Mr Jesse Philips, owns over six per cent of the stock, and is due to retire later this year – has been in LBO negotiations with Merrill Lynch Capital Partners for some time. There was initial agreement on a $25.50 a share deal, followed by one at $24 a share. However, neither transaction has proceeded and yesterday Philips said it had terminated the agreement with the investment bank.

Philips' industrial interests include air distribution products like filters, material handling systems, and moulded bathroom products.

Lex, Page 20

Metsä agreement clears way for Repola merger in Finland

By Enrique Tessieri in Helsinki

THE LONG-awaited merger of Rauma-Repola, the Finnish engineering and forest group, and United Paper Mills (UPM), the country's fourth largest forest company, is set to go ahead following agreement by Metsä-Serla, a rival forest product concern, to drop its objections to the merger.

The deal opens the way to the creation of Repola, which will be Finland's biggest company in sales terms, and to a long-overdue simplification of the Finnish pulp and paper sector. The merger will be officially accepted at an extraordinary UPM board meeting on June 18. Repola will begin to operate as a new company at the beginning of 1991.

Metsä caused surprise in January by buying into UPM, ending up with 29.3 per cent of the company. In April, it tried to block the merger because the new company's by-laws would have stipulated that only a shareholder with one third ownership could obstruct a merger.

Under present UPM by-laws a shareholder with 25 per cent of the company can obstruct a merger. But Mr Timo Poranen, president of Metsä, said Repola by-laws would now retain a special clause which allows minority shareholders with 25 per cent to obstruct a merger.

Mr Poranen added that the co-operation agreement between his company and Repola would allow it to make joint investments as well as to acquire, with Repola, forest groups within and outside Finland.

The new FM1.5bn ($379m) share capital of Repola, which will be divided approximately into 150m shares with a nominal value of FM10 per share, will temporarily reduce Metsä's ownership of the company from about 29 per cent to 19 per cent.

However Metsä has agreed with Kansallis Osake Pankki, the big Finnish bank which orchestrated the UPM-Rauma merger, to purchase 25 per cent ownership of Repola for "a few hundred million Finnmarks."

Repola's turnover is expected to reach FM25bn. It will comprise three divisions: a forest division, UPM, with turnover of FM15bn; an engineering division, Rauma, with about FM8bn turnover, and a plastic packaging division, W Rosenlew, with turnover of FM2bn.

UK property shares sent tumbling

By Vanessa Houlder and Andrew Taylor

GREAT PORTLAND Estates, one of Britain's largest property companies sent property shares tumbling yesterday when it announced that the value of its City of London office investments had fallen by more than a sixth in the past 12 months.

The company blamed over-development in the City which had led to too few tenants chasing too many buildings. Mr Richard Peskin, the group's chairman said: "In the past six to nine months most areas have seen a sharp deceleration in rental growth and some sectors have experienced an actual downturn."

He said he was concerned about the effect of high interest rates, the uniform business rate and general political uncertainty on tenant demand and property prices during the next 12 months.

The group's share price fell 33p to 241p as the stock market value of some of Britain's biggest property companies was reduced by hundreds of milions of pounds.

The share price of Land Securities, the largest property group, fell 17p to 509p. British Land fell 22p to 338p and MEPC by 17p to 501p.

Less than two weeks ago, Land Securities announced that it had reduced the value of its City of London investments by just under 2¾ per cent – far less than had been forecast.

The announcement of new valuation by Great Portland follows the collapse of a string of small to medium property developers this year. These include Rush & Tompkins which had developments worth £600m under way when the receivers were called in two months ago.

Some property analysts said, however, that yesterday's big fall in property share prices was an over reaction. Mr Robert Fowlds, analyst with Kleinwort Benson said: "There is a real danger of getting carried away. Great Portland is an investment company in a secure financial position. It is not a developer/trader nor a financial risk."

Great Portland said the downturn in property values was limited to the City of London and the neighbouring area of Holborn. The overall value of the group's investment portfolio was reduced by only 4 per cent to £900m.

The value of provincial office developments was estimated by the group's valuers Hillier Parker to have risen by 14 per cent with property prices still rising in provincial cities such as Birmingham and Leeds.

Mr Peskin said pre-tax profits during the 12 months to the end of March had risen by 22.5 per cent to £35.96m.

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Saatchi omits payout and clinches Hay Group sale

By Alice Rawsthorn

SAATCHI & SAATCHI, the troubled UK communications group, yesterday announced that it would not pay an interim dividend after falling from earnings per share of 1.0p to a loss of 4.6p in the first half of the year.

Saatchi, which is trying to raise capital to reduce its onerous debts, also announced that it had reached conditional agreement to sell the Hay Group, the largest of its management consultancies, to a management buy-out team for around $80m. The Hay deal was agreed yesterday after months of negotiation.

Mr Robert Louis-Dreyfus, who became chief executive of Saatchi in January, said his priority was to conserve cash to make Saatchi cash positive again. He said it "would not have been prudent" for Saatchi to have paid an interim dividend and that it was unlikely to pay a dividend for the year.

The company's shares, which have fallen sharply since the start of the year, rose by 6p to 107p yesterday. Saatchi disclosed that Tweedy Browne, a New York investment house, has bought 4.08 per cent of its equity.

Saatchi's financial problems have been aggravated by the slowdown in the advertising markets of the US, UK and Australia. These problems were particularly acute in the UK where the flagship Saatchi agency made a negligible profit. Overall the communications companies increased trading profits from £22m to £31m ($50m) in the first half.

Saatchi has also been dogged by the poor performance of its management consultancies. These companies, which have been up for sale since last summer, made a loss of £700,000, down from £8m. Mr Louis-Dreyfus, who hopes to raise £80m from the consultancies, said he expected to sell two more companies before the year end.

Pre-tax profits fell to from £20.2m to £14.4m in the six months to March 31 after paying interest of £18.4m. Saatchi made an exceptional credit of £2.4m, mainly from art sales.

Saatchi may start to make provisions for the redemption of its £211m convertible preference issue in the second half.

Lex, Page 20

Kraft takes control of Negroni

By John Wyles in Rome

ANOTHER celebrated name in the Italian food industry slipped into foreign hands yesterday when control of Negroni, a leader in high quality pork products, passed to Kraft General Foods, the US multinational.

Negroni is a family company which exports 20 per cent of its L140bn ($112m) a year output. It has agreed that Kraft should expand its holding from about 25 per cent to about two thirds of the company's capital for a price understood to be about L100bn.

The sale continues the gradual process of consolidation of Italy's highly fragmented food manufacturing industry which is proceeding under the aegis of most leading international companies, from Unilever to BSN and from Nestlé to Kraft.

Most Italian small companies are finding that they cannot sustain the costs of product development and advertising in an increasingly international market.

Mr Ernesto Fugazzola, president of Kraft's Italian subsidiary, said Negroni would be controlled by a new holding company which would gradually acquire more meat manufacturing interests.

Kraft's existing meat sector labels would eventually find their way into this company.

Mr Pietro Negroni, president and managing director of the family company, said that the future could only be faced "with a company of very large dimensions with advanced technological know-how and adequate financial resources."

Mr Fugazzola forecast many more mergers in the Italian meat products sector in the coming five years.

Viscofan makes the wurst of it

By Peter Bruce in Madrid

AS A nation of sausage eaters, the Germans have probably met their match in the Spaniards. For every bratwurst or weisswurst consumed in the beer halls of Bavaria, the Spanish could probably count two. The spring killing of pigs to make chorizo is a high point in the Spanish cultural calendar.

Just to prove their prowess, Viscofan, a Spanish manufacturer of cellulose wrappings in which sausages are cooked, is taking complete control of its biggest rival in the field, the family owned West German sausage casing producer Naturin Werk, Becker, for almost $160m.

The deal is one of the biggest direct investments abroad by a Spanish company, with the purchase last year by Tudor batteries of the West German Hagen group. The only other major industrial purchase abroad was made recently by another processed meat producer, Campofrio, which bought production capacity in the Americas.

Between them, Naturin and Viscofan control the world market in sausage casings and the business, mostly export, is highly profitable. Viscofan made net profits of $26m on sales of $56m last year. Naturin, a bigger company which was once rumoured to be considering buying Viscofan, turned over $165m last year.

Naturin bought 5 per cent of Viscofan when the Navarra-based group went public in 1986.

BASF in new attempt for Agfa tape arm

By Katharine Campbell in Frankfurt

BASF, West Germany's largest chemical concern, is launching its second attempt to buy the magnetic tape business of Agfa Gevaert, a subsidiary of Bayer, also among the country's top three chemical giants. No price for the proposed deal was given.

The cartel authorities in West Berlin said that on receipt of a formal application they would then determine how much the European and world tape market had changed since BASF advanced similar proposals in 1987.

Cartel officials explained that in preliminary discussions at the time they had been critical of the plans, causing BASF to withdraw and restrict its activities to joint research and development projects.

Both companies face flat conditions in the magnetic tape market, as a plethora of overseas companies, particularly Japanese and South Korean, continue to undercut their prices. Both have made losses in recent years.

BASF said that between 1983 and 1988 prices of audio cassettes fell 25 per cent and video tapes by as much as 60 per cent. The company's worldwide sales in the products, at DM1.6bn ($944m), are little changed from three years previously. Agfa's turnover in this field last year amounted to DM450m.

BASF yesterday said it was confident of receiving approval from the cartel authorities. While it might be the leading producer in West Germany, it was number two and four respectively for video and audio tapes in Europe and could count four companies ahead of it on a worldwide basis. This would have to be taken into account, BASF said.

Correction

Camillo de Benedetti

Mr Camillo de Benedetti is cousin, not brother, of Mr Carlo de Benedetti as reported yesterday in an article on Fondiaria. The mistake was due to an editing error.

The falling value of an office address in the City of London

Vanessa Houlder and **Andrew Taylor** report on what lay behind yesterday's sharp drop in UK property share prices

As the first major UK property company to report a fall in the value of its portfolio of buildings, Great Portland Estates yesterday confirmed one of the industry's worst fears.

The jittery property sector had lulled itself into a sense of security about property values after Land Securities reported an increase in the value of its assets in May.

The fall of 17 per cent in the underlying value of Great Portland's City of London office properties comes as a sharp contrast with the drop of just under 2¼ per cent in the value of its City office portfolio announced by Land Securities less than a fortnight ago.

After Land Securities' better than expected results, the Financial Times property share index had risen by more than 5 per cent since the final week of May. But the rally in property share prices stopped abruptly yesterday. A value of 3 per cent was wiped off property shares. The FT property share index closed at 1097.25, nearly 22 per cent below its peak of 1398.87 in September 1989.

Mr Richard Peskin, chairman of Great Portland Estates, yesterday dismissed the falling share prices as an over-reaction. Some analysts insisted that Great Portland's announcement merely underlined what was already known. The sector, they said, had no illusions about recurring problems of over-supply and lack of demand in the central London property market.

Large companies such as Great Portland, which have ample rental earnings to service their debts, can withstand the troubles which periodically beset the property sector. Problems are much more likely to affect smaller, highly geared companies which have embarked on over-ambitious development programes.

Memories are still fresh of the collapse of Rush & Tomkins, a medium sized developer, which called in the receivers in April, when it lost control of its borrowing after being unable to sell its developments.

Sheraton Securities, another modest developer, is currently seeking a financial reconstruction.

Confirmation that asset values are falling in the City of London, Britain's biggest property market, can only worsen the headaches of banks exposed to the property sector.

"Banks will look at this with a great deal of concern. They will see the end value of their projects being eroded and their loans being more exposed," says Mr Ray Jones of Paribas, the investment bank.

Bank of England figures suggest that bank lending to property companies has risen from less than £10bn ($16.8bn) in February 1987 to more than £34bn three years later. As a proportion of total bank lending, property has risen from 4.7 per cent to 8.02 per cent, heading towards the 9.59 per cent recorded in the days of the property crash of 1974.

Few people suggest there might be a re-run of the property collapse of the early 1970s. There are considerable differences between now and then: property companies are less highly geared and the banks are better able to support their creditors.

None the less, the market is bracing itself for further receiverships. In the last part of the year, small and private property companies may find the rug pulled from underneath them by the banks.

If this happens, it could damage the market still further. "The nature of the bear market in property depends on how bankers react. It would be self fulfilling if they panic and call in the loans," says Mr Robert Fowlds of Kleinwort Benson Securities.

Much also depends on the behaviour of the institutions. Many UK institutions have stopped buying commercial property. Last month's announcement of major job cuts in the property investment arm of the Prudential Corporation, the largest of the UK property-owning financial institutions, was symptomatic of the market's gloom.

Yesterday's confirmation of falling asset values will deter institutions from making an early return to property investment, according to Mr Jones. "They will see it as further evidence of prices getting cheaper," he says.

Mr John Atkins, property analyst at stockbrokers UBS Phillips & Drew, says: "We are forecasting that City of London office values will fall by 20 per cent this year. Great Portland's announcement shows that much of tnat fall has occurred already. Land Securities' revaluation announced at the end of May indicated it had still to occur."

Hillier Parker, which valued Great Portland, has been more bearish about the fall in value of City offices than some rival chartered surveyors.

It says falling asset values have pushed up investment yields on City offices between February and May from 5.5 per cent to 6.1 per cent, the highest level since May 1977.

The revaluation by Great Portland shows that the stress felt by property investors in the City has still to spread to the provinces. The underlying value of Great Portland's provincial property portfolio rose by 14 per cent last year, according to Hillier Parker.

UBS Phillips & Drew, however, warns that the downturn in the central London office market is likely to spread to cities such as Birmingham during the next 12 to 18 months.

The brokers are forecasting that provincial commercial property values will fall by 1 per cent this year and by 3 per cent in 1991. City office values over the same periods are forecast to fall by 20 per cent and 9 per cent respectively.

"The pace of development in the last few years makes this decline inevitable, with too many buildings chasing too few tenants," says Mr Atkins.

The next test for the market will come with the announcement of figures due shortly from British Land, to be followed by results from Greycoat Estates. British Land is estimated to have more than a third of its property portfolio invested in City offices, and Greycoat more than half.

Profits up 17% at biggest French MBO

By William Dawkins in Paris

DARTY, France's leading electrical retailer and subject of the country's largest management buy-out, has reported a 16.8 per cent rise in net profits after exceptional gains in the first half, which ended in February.

Profits rose to FFr583.9m ($102m) from FFr499.9m in the first half of 1988/1989 – ahead of the forecasts in the buy-out plan. Turnover rose 10.2 per cent for the first half of the year to FFr4.75bn.

Two years ago the company was the first French listed company to link a buy-out with a public takeover offer, an innovation later marred by a report by the COB, the stock market authority, attacking the conditions in which the FFr7bn buy-out was done.

The COB said some institutional investors had been offered favourable terms, throwing doubt on the equal treatment of shareholders. Public prosecutors have been considering whether to press charges since receiving the COB report in November.

First-half pre-tax profits meanwhile rose to FFr594m from FFr539m, including a FFr10.2m one-off surplus on asset disposals, against extraordinary gains of FFr39.7m a year earlier.

INTERNATIONAL COMPANIES AND FINANCE

'aiwan discovers a cookie fortune

ter Wickenden on a mould-breaking US biscuit group purchase

he top two biscuit manufacturers in the US are, unsurprisingly, ican. The third biggest, nearly half the budget-biscuit market, is now ng to Taiwanese owner-

sident Enterprises, n's largest food manufac- is in the closing stages of ring the Georgia-based ham Foods for US$335m. leal is the biggest over- buy-out by a purely pri- sector Taiwanese com- and the first acquisition food industry.

lso marks the first time Taiwanese merger and sition experts have been y involved in all stages of stantial deal. One local ant banker says that this first of a series of large its by Taiwanese compa- which have ambitious to become multination-

dham Foods was formed 5 by Mr Ian Wilson, its executive, with capital banks, insurance and acturing companies and lers. After a steady pro- ne of acquisitions, the consists of eight regional t makers, including r's, Bishop's, Jack's, , Country Hearth and y, the largest producer of cout Cookies.

ray was bought from the e foods group in 1988 for and holds 60 per cent of 0m-a-year US Girl Scout market. The group 45 per cent of the US t-price biscuit market ranks third in size after Nabisco and Keebler.

Wyndham had operating profits of $25m on sales of $300m last year, and with rigorous cost control expects to see sales rise to $326m and profits to $44m for 1990. It was put up for sale because the Texas-based Mason Best, one of its main shareholders, had made losses on property dealings and chose to sell out.

HOW THEY COMPARE	President	Wyndham
Capital	$128.5m	$30.1m
Assets	$401.4m	$302.4m
Sales	$452.6m	$300m
Operating profit	$53.7m	$35m
Employees	4,789	2,700

Source: Paine Webber

President, Taiwan's 12th largest listed company, turned heads on Wall Street by winning the battle for Wyndham against 15 companies from the US, Canada, Belgium and Japan. Its bid was not the highest, but its plan to use Wyndham as a launch-pad for global expansion most impressed the vendors who were looking for a strategic buyer, according to a member of the M&A team.

Faced with a limited market and intense competition from imports in Taiwan, President was after an overseas manufacturing and distribution base. Its domestic sales fell 13 per cent to $452m last year, while exports accounted for only 5 per cent of turnover. The existence of a government sugar monopoly makes sweet processed foods expensive in Taiwan and uncompetitive in other markets.

President says it once considered bidding for Nabisco, but the foods company was rejected as too big and holding little potential for further development. Wyndham's sales of popular-priced biscuits increased by 65 per cent last year, and would not suffer as much as the quality end should the US economy go into recession.

Apart from its market share, Wyndham's main asset is its own direct store delivery (DSD) routes, plus a computerised stock control and sales system. President plans to transfer this technology back to Taiwan, where it owns an island-wide chain of 500 Seven-Eleven stores.

President would expand into Europe and Asia by further acquisition and transplant the DSD system there, says a planning division executive.

The company's geographical spread and continued diversification into the non-food sector is to be financed by a $110m convertible Eurobond issue in September. Subsidiaries and affiliates cover packaging, auto parts, commodities trading, construction, leasing and semiconductors. President is believed last year to have made an unsuccessful $1.1bn bid for the US-based Seaworld chain of theme parks in an attempt to move into leisure, hotels and property.

Eurobond issues, and low debt-to-equity ratios, put many cash-rich Taiwanese companies in a good position to buy ailing or debt-laden companies overseas and refinance their borrowings at low rates, say M&A experts.

President is negotiating with US, Japanese, Canadian and Taiwanese banks for a deal that will save more than $2m a year in interest on Wyndham's $201m of bonds and bank loans. About a third of the $355m takeover price will be paid in cash.

The deal was accomplished secretly and in the space of five months. Mr Emil Chen, of the New York securities company Paine Webber, says that due diligence and negotiation were carried out by Taiwanese financial experts for the first time. "Wall Street knows that Taiwan can now handle its own deals. This one was quick and clean."

Morgan Stanley has decided as a result to bring forward the establishment of its Taipei representative office from the middle of 1991 to this September, and several other leading investment banks are planning to follow suit, says Mr Chen. They hope to cash in on a spate of approaching buy-outs by Taiwanese companies in food, textiles, leisure, electronics, transport, cement and construction.

A consortium of Taiwan's textiles and clothing companies is rumoured to be negotiating to buy a successful western fashion brand name as an alternative to establishing its own. A Taiwanese acquisition in the UK is also said to be imminent.

kyu up t expects wdown

r Financial Staff

U CORPORATION, the se railway, property tel group, lifted pre-tax 14 per cent to Y13.46bn in the year to March pects only a marginal e this year to Y14bn.

rises and an increase in ger volume have been g its transport side, also runs long-distance rvices. Although the ny did not give details, wth is likely to be held strains now evident in metropolitan property

nt company sales, rose 3.4 per cent in the year to Y250.1bn, are t to reach Y273bn this The dividend is being ined at Y5 per share.

expansion of Japanese y interests in the US ied yesterday with an cement by Mitsui & Co, e trading house, that it ught half the assets and ement rights for 31 projects from Birtcher Estate of California. y estimates put the f the deal at about

venture will develop uildings and industrial n southern California.

Klöckner-Werke ready to sell works to British Steel

By Our Financial Staff

KLOCKNER-WERKE, the West German steel, plastics and machinery group, said yesterday it was "very close" to selling its Klöckner-Mannstädt steel works to British Steel, the privatised UK steelmaker, for about DM300m ($177m).

Only last week, Klöckner-Werke said it was buying the Eurotec Systemteile plastics business from BAT Industries of the UK.

Klöckner-Werke said its domestic group financial results in the first half ended March 31 swung to a pre-tax profit of DM59.1m from a break-even position last year.

Domestic sales rose to DM2.78bn in the first half from DM2.32bn a year earlier.

Klöckner-Werke reports only financial results of its domestic West German operations and excludes those of its foreign subsidiaries.

If the Mannstädt sale is completed, Klöckner-Werke steel sales will total about DM3.5bn in the year ending September 30, down from DM4.3bn a year earlier; machinery sales will remain roughly stable at DM2.6bn; and plastics sales will triple to DM2.1bn from DM716m a year earlier.

Eurotec, with 1989 sales of DM1.1bn and an operating profit of about £19m ($30m), produces car parts in West Germany, France and Spain and supplies all car makers in these countries. The inclusion of the company will boost Klöckner-Werke's overall dependence on the car industry to about one fourth of sales.

Klöckner-Werke hopes to benefit from synergy effects between Eurotec and the Kautex plastics company it acquired last August. Klöckner-Werke is a leading maker of the type of plastic moulding machinery that Eurotec uses to make its products.

Klöckner-Werke's group profit margin of between 4 per cent and 5 per cent will initially be hurt by the inclusion of Eurotec, said Karl Sinkovic, the chief financial officer, but he hoped that company's results would be brought up to standard in two or three years.

In a prospectus accompanying a new share issue, Klöckner-Werke said the domestic group's steel sales edged up only 3.4 per cent to DM1.65bn in the first half from DM1.596bn, and machinery and plastics sales, reflecting new acquisitions, soared 55.9 per cent over last year.

New order bookings in the steel divisions slipped to DM1.822bn from DM2.05bn, but rose to DM1.19bn in machinery and plastics operations from DM841bn a year earlier.

NEWS IN BRIEF

Semi-Tech HK$800m rights offer

SEMI-TECH Microelectronics (Far East) of Hong Kong plans to raise HK$800m (US$102.6m) through a one-for-two rights issue at 60 cents each, Our Financial Staff writes.

This is part of a HK$1.8bn fundraising exercise for the £47m (US$75m) purchase of the European Singer sewing machine operations from International Semi-Tech Microelectronics (ISTM), its Toronto holding company which acquired the division in a deal last December with UK-based European Home Products. The latest arrangement re-unites the Singer appliance business worldwide.

■Hongkong & Shanghai Banking Corporation yesterday replaced the chief executive of its Australian operations, AP-DJ reports from Sydney.

Mr Richard Orgill, previously a head office general manager, was named to head Hongkong Bank of Australia. He replaces Mr James Yonge, who leaves the bank.

■Dimola, a subsidiary of Mr Alan Bond's Bond Brewing Holdings, is seeking to buy back a US debt issue by its parent at 40 per cent of its US$510m principal amount, Our Financial Staff writes.

The purchase of the 12¾ per cent subordinated debentures is conditional on acceptance of several other concessions by a majority of the holders.

■Elders Resources NZFP and Carter Holt Harvey of New Zealand have sold Paper Coaters (NZ), their joint-venture New Zealand packaging concern, to BTR Nylex of Australia, AP-DJ reports.

The price was not disclosed. Paper Coaters has annual sales of about NZ$25m (US$14m).

■Ariadne Australia, an Australian investment company, has announced an agreement with Mr William Simon, the US financier and former Treasury Secretary, to sell its interest in their property partnerships to Mr Simon and his family for US$82m, AP-DJ reports.

The agreement allows Ariadne to participate with Mr Simon in certain savings and loan activities.

CIBA-GEIGY AG

NOTICE OF MEETING

of the holders of Warrants to subscribe for Bearer Participation Certificates of Ciba-Geigy AG (the "Warrantholders" and the "Warrants" respectively)

NOTICE IS HEREBY GIVEN that a Meeting of the Warrantholders convened by Ciba-Geigy AG will be held at the offices of S.G.Warburg Securities, 1 Finsbury Avenue, London EC2M 2PA on Tuesday, 3rd July, 1990 at 10.30 a.m. (London time) for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Instrument (the "Instrument") made by Ciba-Geigy AG and dated 1st November, 1983.

Extraordinary Resolution

"THAT this Meeting of the holders of Warrants to subscribe for Bearer Participation Certificates of Ciba-Geigy AG (the "Warrants" and the "Company" respectively) constituted by the Instrument dated 1st November, 1983 hereby:—

(1) sanctions the Proposal (as described in the Notice convening this Meeting) and its implementation and the resulting modification of the Terms and Conditions of the Warrants (The "Conditions") and the rights of the Warrantholders thereby involved;

(2) assents to the modification of the Instrument by the Supplemental Instrument in the form of the draft produced to this Meeting;

(3) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Warrantholders against the Company involved in or resulting from the modifications referred to in paragraphs (1) and (2) of this Resolution; and

(4) authorises and requests the Company to give effect to the modifications referred to in paragraphs (1) and (2) of this Resolution by forthwith executing a Supplemental Instrument in the form of the draft produced to this Meeting and for the purpose of identification signed by the Chairman thereof."

Proposal

The Company proposes that the Terms and Conditions of the Warrants be modified to provide that any Warrantholder upon exercise of his Warrant shall have the right to elect to receive either one bearer participation certificate of Sfr100 nominal value of the Company (a "BPC") or, subject as stated below, one registered share of Sfr100 nominal value of the Company (a "registered share"). In connection with the grant of such right to elect BPCs or registered shares upon exercise the Company is further proposing to modify the Terms and Conditions and the Instrument so as to make the provisions therein applicable to BPCs apply *mutatis mutandis* to registered shares, all as more fully described below.

Accordingly, following adoption of the Resolution Condition 2(a) of the Warrants would be as follows:—

"The holder of a Warrant is entitled, on satisfaction of the conditions set out in paragraph (g) below and subject to the provisions of this paragraph and paragraph (d) below, to elect to subscribe either (i) one bearer participation certificate of Sfr100 nominal value of CIBA-GEIGY ("BPC") or (ii) one registered share of Sfr100 nominal value of Ciba-Geigy (a "registered share" and such BPC or registered share being referred to herein as the "Specified Security") in either case at an exercise price (the "Exercise Price") of Sfr1,650 per Specified Security subject to adjustment as mentioned in paragraph (c) below. The Warrants may be exercised at any time after the opening of business on 31st January, 1984 until the close of business on 1st November, 1993, except that if any notice is given of any event pursuant to sub-paragraph (A) of paragraph (c) below, then the right of exercise will be suspended (and accordingly Warrant Exercise Notices (as defined below) may not be lodged) during the period commencing on the eleventh day after the date on which such notice is given and ending on the date on which the relevent event or matter occurs or, if an adjustment of the Exercise Price is involved, the date upon which notice of such adjustment is given in accordance with sub-paragraph (B) of paragraph (c) below. In the event that the exercising Warrantholder elects to subscribe a registered share as a result of which he would hold more than 2 per cent. of the registered shares of Ciba-Geigy, he shall be deemed to have elected to subscribe a BPC. Subject as aforesaid, an exercising Warrantholder who fails to specify which Specified Security he is electing to subscribe shall be deemed to have elected to subscribe a registered share."

None of the existing obligations of the Company with respect to the BPCs will be modified.

The grant of the right to subscribe registered shares will be effected by the deposit pursuant to a Deposit Agreement of sufficient registered shares to satisfy in full rights of exercise into registered shares for all Warrants currently outstanding. The Company will agree to adjust the exercise price in respect of registered shares upon the happening of certain events. The Company will also give certain undertakings with respect to the registered shares.

The Articles of Association of the Company prohibit one person from holding more than 2 per cent. of the Company's registered shares and, accordingly, a Warrantholder will not be entitled to subscribe registered shares to the extent that he would thereby accumulate, together with any existing holding, more than 2 per cent. of the Company's registered shares.

The text of a draft of the Supplemental Instrument setting out in full the proposed modification including the Terms and Conditions of the Warrants as modified is available for inspection at the specified office of any of the Warrant Agents referred to below.

Reasons for the Proposal

On 21st February, 1990 the Board of Directors of the Company announced that (subject to shareholder approval) non-Swiss nationals would become eligible to be entered on the register of shareholders and that an offer would be made to holders of BPCs to allow them to exchange BPCs for registered shares on a one for one basis (the "Exchange Offer").

The Exchange Offer closed on 30th April, 1990 and approximately 71 per cent. of the outstanding BPCs were submitted for exchange for registered shares. The Exchange Offer was approved by the shareholders of the Company at their annual general meeting on 9th May, 1990.

The Company is now proposing to grant similar rights to the Warrantholders by providing that Warrants may be exercised to acquire either BPCs or registered shares.

Voting and Quorum

1. A Warrantholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Warrant(s), or a valid voting certificate or valid voting certificates issued by a Warrant Agent relative to the Warrant(s), in respect of which he wishes to vote.

   A Warrantholder not wishing to attend and vote at the Meeting in person may either deliver his Warrant(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified offices of the Warrant Agents set out below) instructing a Warrant Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

   Warrants may be deposited with any Warrant Agent or (to the satisfaction of such Warrant Agent) held to its order or under its control by CEDEL S.A. or Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System, for the purpose of obtaining voting certificates or, until the time being 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjourned such Meeting), but not thereafter, giving voting instructions in respect of the relative Meeting. Any Warrant(s) so deposited will be released at the conclusion of the Meeting (or, if applicable, any adjourned such Meeting) or upon surrender of the voting certificate(s) or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjourned such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.

2. The quorum required at the Meeting is two or more persons present holding Warrants or voting certificates or being proxies and holding or representing in the aggregate a clear majority in number of the Warrants for the time being remaining unexercised. If a quorum is not present at the Meeting, the Meeting will be adjourned and the Extraordinary Resolution will be considered at an adjourned Meeting (notice of which will be given to the Warrantholders). The quorum at such an adjourned Meeting will be two or more persons present holding Warrants or voting certificates or being proxies whatever the number of unexercised Warrants so held or represented by them.

3. Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or by one or more persons present holding Warrants or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth of the Warrants then remaining unexercised. On a show of hands every person who is present in person and produces a Warrant or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each Warrant so produced or represented by the voting certificate so produced or in respect of which he is a proxy or in respect of which he is the holder.

4. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-fourths of the persons voting thereon upon a show of hands or, if a poll is duly demanded, then by a majority consisting of not less than three-fourths of the votes given on such poll. If passed, the Extraordinary Resolution will be binding upon all the Warrantholders, whether or not present at such Meeting and whether or not voting.

Principal Warrant Agent

S.G.Warburg & Co. Ltd.
2 Finsbury Avenue
London EC2M 2PA

Other Warrant Agents

Crédit Suisse (Luxembourg) S.A.
23 Avenue Monterey
2010 Luxembourg

Crédit Suisse
Paradeplatz 9
8001 Zurich

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Ciba-Geigy AG
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INTERNATIONAL COMPANIES AND FINANCE

Huntsman stalks quarry of expansion in Europe

Peter Marsh on a US chemicals group's hopes that poorer times will provide opportunities for growth

Most managers in the international chemicals industry are worried about the signs of slowdown in the sector. Mr Jon Huntsman, head of the US's biggest private chemicals group, is not among them.

He says the poorer times will provide more opportunities for expanding his company, particularly in Europe. He plans to spend up to $200m over the three years making this vision a reality.

Mr Huntsman, 52, is chairman and chief executive of Huntsman Chemical, which is controlled by his family. Huntsman is the US's largest maker of polystyrene, a big-selling plastic, and had sales last year of $1.26bn.

The company, set up in 1982, has grown largely through purchases of established factories surplus to the requirements of other chemicals groups. He hopes that, in the poorer times for the industry likely over the next few years, a number of companies will agree to sell their plants to Huntsman to provide a fresh basis for the group's expansion.

Huntsman depends heavily on North America for its sales. And although the company is keen to build up in the Far East, it is putting most of its energies into expanding in Europe. Europe accounts for only about 12 per cent of Huntsman's sales and Mr Huntsman wants this figure to grow to between 25 per cent and 30 per cent by the late 1990s.

To achieve this, he is ready to spend $100m to $200m by 1993, either on building new facilities or in acquiring existing plants.

Huntsman, based in Salt Lake City, Utah, started life in its present form in 1982. Before this, Mr Huntsman, a dedicated Mormon and a former member of the Administration of President Nixon in the early 1970s, ran a small, private plastics-packaging company.

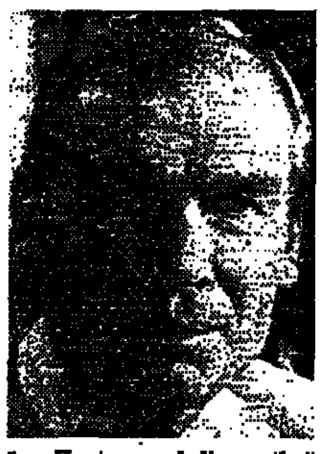
In the 1960s he had a three-year spell with Dow Chemical, the US's second biggest chemicals group. Partly because of this experience, he says he dislikes working for large corporations.

Huntsman has grown quickly, thanks mainly to a series of acquisitions during the mid-1980s of unwanted plastics plants. In this period, a time of poor demand and profits in the industry, companies such as Royal Dutch/Shell and Hoechst sold their sites to Huntsman, often at bargain prices.

Mr Huntsman says he has paid roughly $350m for facilities which would cost four times as much to replace. In common with many other companies at the high-volume, basic-material end of the chemicals industry, Huntsman has made good profits in the past few years as a result of rising demand and high prices.

Being privately owned, Huntsman does not release details of earnings but Mr Huntsman says margins at the pre-tax level hovered around a respectable 18 per cent to 20 per cent during 1988 and 1989. "In 1990 and 1991, margins will drop to 10 to 13 per cent; but we will still be a healthy business," he says.

The corollary of the generally high earnings in the chemicals sector in recent years has had its downside for Huntsman. The company has been unable to continue its policy of buying unwanted factories for low prices, especially in Europe. With the industry booming no one wanted to sell.



Jon Huntsman: believes that his hustling may pay off

Mr Huntsman says he has been especially interested in expanding in Europe not only in polystyrene but also in polypropylene, a fast-growing type of commodity plastic. "We have made offers but without success. It has been very frustrating."

Mr Huntsman believes his hustling may pay off over the next year or so with some companies being persuaded to part with their plants. He does not want to mention the groups he is talking to, but it is thought BP, Shell, Enimont and Veba – the West German energy and chemicals conglomerate – might be among those interested in selling.

The US is also an area where Mr Huntsman wants to expand. He was disappointed by his failure recently to buy Aristech, a large US polypropylene maker. Huntsman offered $817m for the business, but it was bought for a higher price by a management buy-out group led by Mitsubishi, the Japanese trading company. "We will be trying again [in a US expansion]," promises Mr Huntsman, who made $20m from share transactions during the Aristech bid battle.

Besides being privately owned – a rarity for a large chemicals maker in the US – Huntsman is unusual for other reasons. Mr Huntsman is one of the few US business executives who takes religion so seriously that directors say formal prayers before board meetings. He has nine children who play a large part in running the company, as does his wife.

The company also gives away much of its profit. Huntsman is helping to build a cement factory in Armenia in the USSR which will allow workers to construct buildings to replace those destroyed in the 1988 earthquake. The factory, which will pass into local ownership after the construction, could cost his family $5m.

Huntsman is also involved in a number of environmental projects in the US. It recently joined with Dow Chemical, the US's second biggest chemicals group, in an imaginative $4m scheme to take waste materials such as plastics and metal cans discarded in national parks and turn these into objects such as benches and traffic signs which the parks will use. "We are ahead of the curve on environmental issues," says Mr Huntsman.

Asked about the future, Mr Huntsman is sure about one thing. He likes being in charge and not having shareholders to worry about. "We are not going to go public," he says.

Coors to acquire Memphis brewery

By Karen Zagor in New York

ADOLPH COORS, the third biggest US brewing company, yesterday said it would buy a Memphis brewery from the Stroh Brewing company. The acquisition will give Coors its first brewery other than its Golden, Colorado, facility.

According to beer industry analysts, Coors has been hampered by its single brewing facility in its hopes of becoming a leading player in a beer market dominated by Anheuser Busch and Miller Brewing. The company's market share of about 9 per cent lags well behind that of industry leader Anheuser-Busch, which last year had a market share of 42.1 per cent.

Shares in Coors gained $¾ to $25¾ at midday yesterday in over-the-counter trading. The company's stock last year traded in a range of $17⅞ to $24⅞.

"The Memphis location, which is east of the Mississippi, will cut Coors' freight costs and takes care of the company's immediate needs," said Mr Jerry Steinman, publisher of Beer Marketer's Insights. "It was very badly needed."

Although Coors has competitive gross margins in its beer operations, its single Colorado brewery left the company with high transport costs, which when added to high per barrel advertising costs, resulted in lower operating margins and returns on capital relative to its peers, Mr Michael Crehan of credit-rating agency Standard & Poor's said.

To meet consumer demand, Coors has been shipping some of its brewed beer to its satellite packaging facility in Elkton, Virginia, which has a packaging capacity of 2.5 million barrels.

The Memphis brewery would add about 5.5m barrels in packaging and brewing capacity. The Colorado facility last year produced about 17.7m barrels.

Fluor reports slide in second quarter to $19m

By Roderick Oram in New York

FLUOR, the world's largest engineering and construction services company, reported lower second-quarter net profits, reflecting in part lower earnings from its investments in natural resources.

For the three months ended April, net profits fell to $19m against $23.9m or 30 cents a share a year earlier. A $19m extraordinary gain from tax reserves no longer required made the final net $38m, or 47 cents, in the latest period.

The California-based company turned in first-half net profits, including the $19m gain, of $66.2m or 82 cents a share, up 45 per cent, against $45.5m or 57 cents.

Fluor Daniel, the group's engineering and construction subsidiary, reported an increase of 25 per cent in its operating profit for the first half. Natural resource earnings were lower, with a strong performance by Massey coal offset by a decline in profits at the Doe Run lead operations from high levels a year earlier.

Revenues rose 12 per cent to $1.83bn in the quarter from $1.63bn and by 21 per cent in the first half to $3.71bn from $3.05bn. It booked $3.88bn of new contracts during the first half against $3.31bn. At April 30 its backlog of work was worth $9.05bn, up 24 per cent from $7.29bn.

The company also announced yesterday an agreement to co-operate with Ingenieurbetrieb Anlagenbau Leipzig on various energy and industrial projects in East Germany and elsewhere in eastern Europe. IAB is East Germany's largest engineering and construction services company.

Placer likely to increase bid for Stikine Resources

By Robert Gibbens in Montreal

ANALYSTS expect Placer Dome to make a swift response to Corona Corp's latest share exchange offer for Stikine Resources, the exploration company that owns half the valuable Eskay Creek gold property in north-western British Columbia.

The prize is not only Eskay Creek but also a 40 per cent interest in Cominco's Snip gold property and control of a score of other exploration companies held by Prime Resources, headed by promoter Murray Pezim, an ally of Corona.

Placer last week bid C$67.50 a share for Stikine, valuing it at C$230m (US$195.4m). Corona, which owns half of two producing gold mines at Hemlo in northern Ontario, came back with a share exchange offer worth an estimated C$76 per Stikine share.

Mr Ned Goodman, Corona chairman, plans to restructure his mining and financial services group. This would create a separate gold mining company, Corona Gold, while Corona Corp would become a management holding company controlling 50.2 per cent of Corona gold and several financial services and energy subsidiaries.

As a first step, Corona has made lock-up agreements with Mr Pezim and other shareholders that would give it 45 per cent of Prime Resources and 42 per cent of Stikine.

Mr Goodman would continue to control the whole group through Corona B shares which carry 100 votes each, compared with a single vote attached to the publicly held Corona A shares. In the end each Stikine share would be exchanged for 4.47 Corona Gold shares and 6.5 Corona A shares, together worth an estimated C$76 at existing gold prices.

However, the restructuring would not be completed until September 30. Placer's C$67.50 a share offer expires on June 19. Placer offers cash or equal value in its stock for Stikine holders wanting to defer capital gains tax.

Trading resumed yesterday in Corona A, Stikine and Prime stocks. Stikine opened at C$72 and soon slipped. Analysts said confusion still existed about the value of the Corona share exchange bid.

Mr Barry Allan, mining analyst at Prudential Bache Securities Canada, Toronto, said: "Placer went into this with a contingency plan. Despite Corona's shareholder agreements, Placer could still get control of Stikine and half of Eskay Creek. I see them coming back with another offer in the C$80 range, representing immediate cash."

Mr David James of Richardson Securities of Canada, Winnipeg, and several other analysts said that Placer might decide to challenge legal aspects of the Corona restructuring or even back out.

In Vancouver, Placer said: "Our offer is on the table. We cannot comment further at this time."

INTERNATIONAL CAPITAL MARKETS

German bonds weaken as futures prices tumble

By Deborah Hargreaves in London and Janet Bush in New York

GERMAN bonds led other European markets downwards yesterday as futures prices tumbled on the London International Financial Futures Exchange. With the June bund futures contract set to expire at 11.00am today, trading has been dominated by the closing of positions.

After opening slightly higher yesterday, June futures tumbled from 83.90 to 83.11 towards the close of the market. The September contract tumbled from 83.60 to 82.93 as traders failed to make the arbitrage opportunities they had hoped for between the two contracts.

Positions are generally rolled over from one contract month to another when a contract expires, and many traders had built positions in the hope of making gains when investors started to roll-over. However, it became apparent that there were few big gains to make yesterday and the market saw a sell-off late in the day.

The fall in the futures market was further prompted by the release of April industrial output figures which, although they showed a 2 per cent decline from March's level, revealed a rising underlying trend, indicating that the economy is still growing.

Unemployment figures out today are also expected to show the continuing dynamism of the German economy. They are expected to have risen by only 7 per cent, after 11 per cent growth in April.

The German bond market faces a deluge of figures this week, with trade and current account figures released today and manufacturing new orders and retail sales later.

The cash market is likely to open today from a sharp fall in response to yesterday's futures market. Cash prices fell by 25 pfennigs yesterday in light Frankfurt trading in advance of the half day holiday.

UK gilt-edged securities showed no clear direction yesterday as the market remained thin and volatile.

It was driven largely by technical considerations and in response to movement in other international bond markets in Germany and in the US rather than UK fundamentals.

There is a strong feeling among domestic buyers of gilts that the market is over-bought and there has been renewed selling at the higher levels. The yield on the 2003/07 benchmark bond rose yesterday to 11.6 per cent.

■ THE Japanese government bond market was searching for direction yesterday as the Bank of Japan indicated again that it wants to keep short-term interest rates tight. The 119 benchmark bond traded in a yield range of 6.95 per cent to 6.87 per cent yesterday as the central bank was reported to have warned institutions against buying bonds at inflated prices.

■ US Treasury bonds opened as much as ½ point higher in anticipation of lower crude oil prices, but then slipped back to show small losses at midsession.

The Treasury's benchmark long bond was quoted 3/32 point lower to yield 8.44 per cent and short-dated maturities were around 1/32 point lower.

The firm opening came after reports that Saudi Arabia had cut its pricing formula for term deliveries of crude oil to European and US destinations during July.

North Sea Brent crude was down about 55 cents a barrel in Europe, and July futures contracts traded on the New York Mercantile Exchange were quoted 39 cents lower at $16.75 a barrel in late morning trade.

Bond prices also derived early support from a reasonably firm dollar which was quoted at DM1.6935 at midsession from an earlier low of DM1.6860.

Bond prices fell from their early highs because of speculation that the Resolution Funding Corp had been selling mortgage-backed securities. One estimate suggested that it had sold $500m worth, although this could not be confirmed by dealers.

The US Federal Reserve did not intervene in the money market yesterday, strongly suggesting that monetary policy was still on hold.

On Monday, the Fed added reserves to the banking system through three-day system repurchase agreements, a move which apparently addressed its need.

The high-yield bond market remained very nervous yesterday as the junk bonds of Trump Taj Mahal, the newest casino in Atlantic City owned by New York real estate developer Mr Donald Trump, continued to slide.

In morning trading, the 14 per cent bonds due 1998 were quoted another 2½ points lower, having slid eight points on Monday amid more detailed reports of Mr Trump's financial difficulties.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-00	-05/32	12.56	12.74	13.42
		10.500	5/99	91-30	-06/32	11.99	12.19	12.59
		9.000	10/08	84-20	-08/32	11.03	11.20	11.43
US TREASURY *		8.875	05/00	102-25	-02/32	8.45	8.67	8.86
		8.750	05/20	103-11	-05/32	8.44	8.65	8.42
JAPAN	No 119	4.800	6/99	88.1581	-0.145	6.93	7.01	7.31
	No 2	6.700	3/07	93.3511	-0.224	6.53	6.64	7.06
GERMANY		7.750	02/00	93.9500	-0.250	8.68	8.72	8.50
FRANCE	BTAN	9.000	02/95	96.0343	-0.316	10.07	9.94	9.74
	OAT	8.500	03/00	92.3100	-0.690	9.74	9.60	9.44
CANADA *		9.750	05/00	93.8000	-1.050	10.82	11.13	11.37
NETHERLANDS		9.000	05/00	100.1600	-0.490	8.97	8.95	8.87
AUSTRALIA		12.000	7/99	92.4960	+0.148	13.44	13.41	13.58

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Australian bank may sell US subsidiary

WESTPAC Banking, the big Australian bank, is considering a sale, among other options, of its US subsidiary, Westpac Pollock Government Securities, Reuter reports.

"In view of our first half results, we're looking at all our business units and not ruling out any options for Westpac Pollock," said a Westpac official. Those options include selling the unit, as well as continued operation. The official declined comment on potential bidders.

Westpac Pollock posted a loss for the year ended September 1989 of $3.93m. However, that loss was reportedly due to an unsuccessful venture into mortgage-backed securities that accounted for a $9.4m loss in the period. The primary dealer on its own was profitable throughout the year, the Westpac official said.

The official said that thin profit margins, scant liquidity and tough competition had hurt all US primary dealerships. "Our unit's performance was disappointing and that was true for most US primary dealers."

Amro left with 15% of agency issue

AMSTERDAM-Rotterdam Bank has been left with about 15 per cent of the 4.32m shares in Randstad Holding following weak investor response to the company's flotation, AP-DJ reports.

Dutch institutions showed little enthusiasm for the issue of about 20 per cent of the Dutch employment agency. Amro said the private Dutch and foreign investors both participated in the offering at expected levels.

Trading in Randstad began yesterday with the shares holding their offer price of Fl 48.

Although Amro Bank conceded that the bank had suffered a loss in the offering by being forced to accept the unplaced shares, he termed the loss a "paper loss" and expressed confidence that Amro would be able to dispose of the shares over time.

The bank declined to speculate on how long Amro would have to hold the shares. Randstad, which operates across Europe, had 1989 net profits of Fl 65m.

Air France launches domestic bond

AIR FRANCE has launched a FFr1bn fixed interest domestic bond, helping to finance its heavy investment programme, George Graham reports from Paris.

The issue, led by Caisse Nationale du Crédit Agricole, Banque Indosuez and Caisse des Depôts et Consignations, went on offer yesterday in bank branches across the country, paying a coupon of 9.8 per cent, or a yield of 9.86 per cent over its 10-year life.

Air France last year saw its financing costs surge to FFr805m, from FFr217m the previous year, in the wake of heavy investments in new aircraft. This year, it spent FFr3.8bn to buy control of UTA, its sole French rival, and with it control of Air Inter, the leading French domestic airline.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:15 pm on June 5

STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
...NAL 8 7/8 93	150	98½	99	-⅛	9.48	COUNCIL EUROPE 7 94 LFr	600	92	93		9.64
...VINCE 9 3/8 95	600	101	101⅝	+⅛	9.11	KREDIETBANK 7 93 LFr	1000	93	94		9.65
...NERAL 9 3/4 95	100	95⅛	97⅛	-1	10.88	WORLD BANK 8 96 LFr	1000	93	94		9.60
...1/4 00	100	109⅞	110⅞	+1⅞	9.66	AMRO BANK 6 1/4 92 Fl	150	94	94½		9.38
[illegible]						[illegible]					
...5 3/4 93	35000	96⅛	96⅜		7.25	SUMITOMO BANK 3 1/8 04	300	3606.9	67⅛	68⅞	+9.69
[illegible]	150000	98⅝	98⅞		6.77	TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	77½	78½	+52.02
[illegible]	50000	93⅞	94	+⅛	6.68	THORN EMI 5 3/4 04 £	103	7.45	105⅝	106⅝	+3.00
...2 91	20000	98⅝	99⅛		8.93						
[illegible]	20000	95⅛	95⅝		6.74						
...00	50000	100⅝	100⅞		6.66						

* No information available - previous day's price
‡ Only one market maker supplied a price

...S: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds ...one. Change on week = Change over price a week earlier.
...NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes ... Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
...BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into ... = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage ...urrent effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

New issues threatened by weak domestic markets

By Andrew Freeman

DECLINING government markets threatened to pull the plug on the Eurobond new issue market yesterday afternoon, but traders were confident that the correction was short term.

Deals should continue to emerge this week. After Monday's European holiday, trading started slowly before a steady trickle of new issues suggested healthy demand.

INTERNATIONAL BONDS

Ford Credit Funding was first off the blocks, launching a £100m three-year unswapped deal via Samuel Montagu.

The bonds were priced with a 13¾ per cent coupon at 101.275 to yield 88 basis points over the equivalent gilt at less full fees.

Several houses were competing for the mandate and judged the launch price as fair, although slightly tight to demand.

Syndicate members reported steady early sales at around less 1.35.

In the afternoon session, however, the gilts market went into decline and the price of the bonds quoted by inter-dealer brokers dropped in step down to less 1.60 bid, implying a spread of around 92 basis points.

The lead manager was quoting the paper at less 1.50 bid.

The deal attracted a large syndicate of more than 30 banks and this appeared to have played a part in its afternoon trading performance.

Samuel Montagu is thought to have kept just less than half the deal, leaving only small allocations for syndicate members, many of which were tempted to sell their bonds as the gilt market moved lower.

Meanwhile, Morgan Stanley launched a $200m 10-year deal for Oesterreichische Kontrollbank as a fixed-price re-offer.

The bonds were offered at 99.60 with a 9⅛ per cent coupon to yield 59 basis points over Treasuries.

Rivals described the pricing as a bit tight, but basically correct.

Morgan Stanley said the deal was largely placed before the Treasury market opened weakly in New York.

As Treasury prices fell around 40 cents, the OKB bonds were trading in line at around 99.20 bid, outside syndicate fees.

Proceeds are thought to have been swapped into a combination of D-Marks and Swiss francs, achieving an attractive funding rate because the borrower took on part of the foreign exchange risk.

However, the lead manager refused to comment on any swap activity.

Electricité de France became the first French borrower carrying a state guarantee to tap the Euro-lire market, launching a L150bn five-year deal via Banca Commerciale Italiana.

The deal came priced at 102.20 with a 12⅜ per cent coupon, terms which stunned the market.

Last week a three-year deal for Austria carried a 12¼ per cent coupon.

BCI justified the coupon by pointing out that yields in the market had been falling and spreads between Euro-lire and domestic issues had narrowed by around 20 basis points on the bid side since Friday.

Once traders had absorbed the terms, however, steady demand emerged for the name and the issue's maturity was broadly welcomed.

The paper was trading around fees at less 1.85 bid, yielding roughly 12¼ per cent.

Proceeds were swapped into floating-rate dollars.

Bankers Trust in Madrid launched a Pta10bn five-year issue for the International Finance Corporation to complete the borrower's funding programme for its financial year ending this month.

The bonds carried a 13¾ per cent coupon which brought out good retail demand.

At the close, Bankers Trust was quoting the paper inside fees at less 1.52 bid.

Proceeds were swapped into sub-London interbank rate US dollars.

In Switzerland, the market opened steadily in low volumes, with most prices unchanged to a touch firmer.

Crédit Suisse is expected to launch today a SFr100m 12-year deal for Ireland.

The bonds have been priced at 101⅝ with a 7⅜ per cent coupon, terms which rival banks said were fair. The pricing process was described as having run smoothly.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
San Paolo Bank(London)(b)♣◆	250	(b)	100	2000	n/a	Salomon Brothers Int.
Oest. Kontrollbank(c)◆	200	9⅛	99.60	2000	32½/20bp	Morgan Stanley Int.
Skand. Enskilda Banken(d)‡◆	200	(d)	100	2000	26/16bp	Goldman Sachs Int.
LIRE						
Electricite de France(a)◆	150bn	12⅜	102.20	1995	1⅞/1¼	Banca Comm. Italiana
STERLING						
Ford Credit Funding(a)◆	100	13¾	101.275	1993	1⅛/1⅛	Samuel Montagu
PESETAS						
Int. Finance Corp.(a)◆	10bn	13¾	101¼	1995	1⅝/1⅛	Bankers Trust
CANADIAN DOLLARS						
BACOB Overseas(a)◆	50	12¾	101.80	1993	1⅜/⅞	ScotiaMcLeod
SWISS FRANCS						
Ireland(a)◆	100	7⅜	101⅝	2002	2½	Credit Suisse

‡Floating rate notes. ♣Variable rate notes. ◆Final terms. a) Non-callable. b) First coupon pays 25bp over 3-month Libor until Oct. 1990 then negotiated. Fall back rate: years one to five 50bp over Libor, years six to 10 60bp over Libor. Call after five years with Central Bank approval. c) Fixed re-offer price. Non-callable. d) Issue increased from $100m. Coupon pays 25bp over 6-month Libor years one to five, 45bp over 6-month Libor years six to 10. Call after five years at par.

Issuers greet rule 144a with two cheers

Janet Bush finds little enthusiasm for a new US market in debt and equity securities

There has been no rush to take advantage of the newly liberalised US private placement market in the month since the Securities and Exchange Commission passed Rule 144a, which allows US and foreign issuers to offer debt and equity securities to large institutions without onerous registration requirements.

So far, there has been one debt issue and one equity issue under Rule 144a. The $100m debt issue, assigned a rating of A+ by Standard & Poor's, was for British Aerospace and was lead-managed by Goldman Sachs.

The equity issue was a $49.1m tranche of a $214m offering for Atlas Copco, the Swedish construction and mining equipment manufacturer, lead-managed by First Boston. The US part of the offering is in the form of American depositary receipts with Citibank acting as depository.

Although nobody expected a dramatic increase in interest, there is no doubt that there are some problems which have contributed to the slow response to the new rule, hailed as the key to developing a much more liquid private placement market with more substantial foreign participation.

Prime among these is a reluctance among some US institutional investors to buy more privately-placed securities and to the concept of a deregulated market overall.

According to the National Association of Securities Dealers, only one qualified buyer of privately-placed securities has so far definitively signed up for its Portal electronic price quotation and trading system, approved by the SEC on the same day as Rule 144a.

So far, nine broker dealers have signed on to use the system. The NASD said that many more qualified buyers had expressed interest in joining up and said that the system would be up and running on June 15.

Some Wall Street investment bankers complained that the NASD was "behind schedule" in getting Portal going and that some potential corporate issuers were delaying coming to market until secondary trading could be done electronically.

However, the crux seems to be not one of operational delays but the slowness of buyers to subscribe to the system, some of which argue that negotiating deals by telephone was perfectly adequate.

Some resistance in the investment community had been expected. Institutional investors had favoured the private placement market partly because securities tended to offer higher yields to compensate for the illiquidity of the market.

Patrick Durkin, vice president of equity capital markets at First Boston, said: "There is a reluctance among some institutions to see a more liquid market develop because they lose the yield advantage over the public market."

Mr Arthur Loring, general counsel with Fidelity Management and Research, is not convinced by the yield argument, saying that there may still have to be a premium paid to entice investors into the 144a market, particularly on the equity side. "For example, with the Atlas Copco issue, you have to wonder whether it wouldn't just be easier to buy the shares in Sweden," he said.

Another stumbling block for liquid cross-border secondary trading of privately-placed securities is the refusal of the US Internal Revenue Service (reportedly annoyed because the SEC failed to consult it when it first contemplated Rule 144a) to change a rule which stipulates that a US investor must hold securities in registered form and cannot convert that security into bearer form when selling in the secondary market.

Trading securities in bearer form is quite common in many countries. Mr Jim Stewart, managing director of investment bank S.G. Warburg in the US, said this IRS decision means that a two-tier market could develop, with registered securities being priced more cheaply than less liquid bearer notes. "It is not a show stopper," he said. "But it is a nuisance."

Although a number of securities firms are clearly gearing up for an expanded private placement market, there is general agreement that only Goldman Sachs and First Boston, which between them have an estimated 30 per cent share of private placement underwriting, have so far been successful in attracting business.

"It is not coincidence that the only issues so far have involved First Boston and Goldman Sachs," commented Mr Mark Dash, a partner at Goldman Sachs in charge of private capital markets. "The others are making a lot of noise but virtually nobody else has the distribution capability in this market."

One potential trend which has emerged is the use of Rule 144a as a first stepping stone into the US capital markets. One investment bank is in discussions with a European company which wants to make an initial private offering under Rule 144a and gain some name recognition with US institutional investors before seeking a full public listing of its ADRs (American depositary receipts).

This is agreed to be a common theme among potential issuers, confounding those who argued that the ADR market would gradually be eroded by the use of private placements. Some corporations, according to one investment banker, still feel that it is worth going through the SEC's complex registration requirements to get the "stamp of approval" afforded by a listing in the public market.

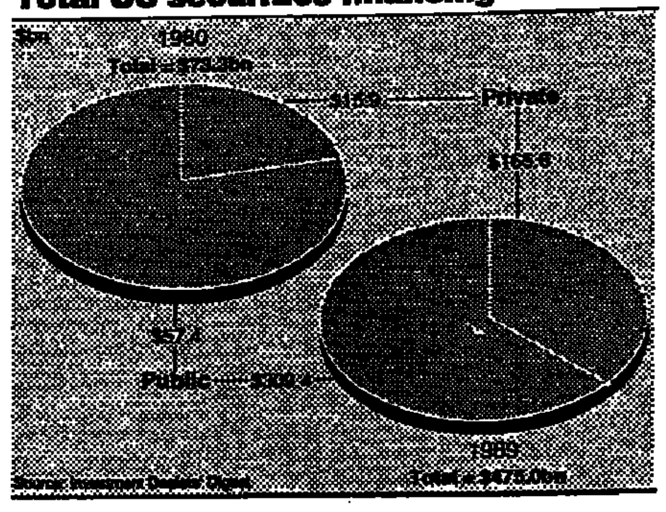
Despite all these caveats, volume of new issues and secondary market trading is expected to increase this year. First Boston's Mr Durkin said that he expected to see perhaps 10 to 15 issues of debt and equity securities combined this year but "not significantly more than that."

Mr Dash at Goldman Sachs said that there would be substantial volume over the next few months and that his company was working on 10 transactions with a total value of $500m.

He said that secondary market trading had already been as "spirited" as he had expected and was pleased that issuers had reacted cautiously so far because of the reluctance of some buyers.

"If a huge number of people had brought issues and then failed to sell them and took losses, it would have been a huge negative at this early stage of the market," he said.

Total US securities financing



Sydney may join Globex users

By Deborah Hargreaves

THE Sydney Futures Exchange says it is ready to resume talks on joining Globex, the screen-trading system under development by Chicago's two futures exchanges and Reuters, the UK information group.

The Chicago exchanges are pushing Globex as an international network for trading futures contracts when exchange trading floors are closed. It looks likely that Globex will evolve into a global club of futures exchanges.

"We like the concept of a global village," stressed Mr Les Hosking, chief executive of the SFE, in London yesterday. The SFE has its own after-hours screen system which it plans to run with Globex for domestic users.

The SFE is interested in listing its three most active contracts – bank bills, bonds and Sydney Government bonds – on Globex. The exchange is also looking to develop its own gold futures contract after its link-up arrangement with New York's Comex was shelved because of inactivity.

Mr Hosking says the exchange is seeking to diversify out of financial products into physical futures contracts, although he expects any evolution to be gradual.

Turkey seeks $200m loan

By Stephen Fidler, Euromarkets Correspondent

TERMS emerged yesterday for a $200m medium-term credit for Turkey, which has been underwritten by a group of banks led by J.P. Morgan.

The credit, split into two equal parts, carries an interest rate margin over interbank rates of 85 basis points for the four-year maturity and a margin of 100 basis points (1 percentage point) for the five-year maturity.

Front-end fees, identical for each tranche, start at 40 basis points for a participation of $8m.

The financing is the first medium-term credit for Turkey in the international market in some years.

It is likely to be the only Turkish government borrowing for several months.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tuesday June 5 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Jun 4 Index No.	Fri Jun 1 Index No.	Thu May 31 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (199)	900.64	....	12.89	5.04	9.39	16.08	900.28	897.27	888.92	955.59
2 Building Materials (27)	1124.19	-0.5	14.07	5.29	8.78	21.22	1130.13	1128.52	1117.94	1194.03
3 Contracting, Construction (36)	1403.84	+0.4	17.08	5.85	7.62	33.82	1398.94	1384.07	1370.86	1658.73
4 Electricals (10)	2585.65	+0.3	11.00	5.18	11.18	61.43	2578.31	2561.95	2535.96	2820.64
5 Electronics (29)	1882.03	+0.4	9.66	3.94	13.40	19.83	1873.75	1869.50	1852.36	2204.51
6 Engineering-Aerospace (8)	493.56	-0.3	13.16	4.72	9.06	9.31	494.90	490.21	485.92	0.00
7 Engineering-General (43)	492.73	-0.3	11.67	5.14	10.36	8.40	494.03	491.09	489.66	0.00
8 Metals and Metal Forming (6)	487.24	....	24.26	6.40	4.67	2.31	487.15	489.68	484.82	543.24
9 Motors (16)	359.34	-0.3	15.32	6.28	7.61	9.64	360.53	360.48	358.25	324.71
10 Other Industrial Materials (24)	1660.12	+0.3	10.67	4.81	10.82	33.09	1654.75	1650.99	1630.30	1552.46
21 CONSUMER GROUP (178)	1309.29	+0.1	9.24	3.62	13.40	17.96	1308.01	1303.50	1288.41	1203.18
22 Brewers and Distillers (21)	1612.80	+1.0	9.50	3.59	12.73	20.38	1596.05	1598.09	1560.11	1299.45
25 Food Manufacturing (20)	1101.08	+0.3	10.23	4.31	12.08	17.73	1097.82	1096.14	1089.07	1060.88
26 Food Retailing (16)	2478.86	-0.7	9.19	3.32	13.98	33.61	2496.72	2528.64	2513.28	2242.85
27 Health and Household (15)	2593.51	+0.6	6.64	2.67	17.93	24.15	2577.93	2571.73	2556.09	2200.81
29 Leisure (31)	1475.42	....	9.99	4.19	12.19	23.99	1476.00	1465.62	1444.79	1642.21
31 Packaging & Paper (12)	607.94	-0.5	11.39	5.80	11.20	11.83	611.17	596.81	591.34	573.13
32 Publishing & Printing (16)	3510.54	-0.4	9.54	5.11	13.21	50.81	3524.00	3459.64	3448.22	3517.33
34 Stores (35)	824.28	-1.0	10.77	4.49	11.98	12.47	832.36	821.82	809.62	795.79
35 Textiles (12)	510.89	-0.7	12.37	7.00	10.35	16.06	514.48	503.16	495.09	528.68
40 OTHER GROUPS (105)	1190.54	.....	10.96	4.94	10.97	11.38	1190.59	1185.15	1176.81	1088.86
41 Agencies (17)	1667.72	+0.2	6.04	2.37	20.02	14.99	1664.43	1661.61	1656.68	1374.51
42 Chemicals (23)	1290.61	-0.1	10.92	5.13	10.71	31.08	1292.15	1287.25	1276.52	1262.86
43 Conglomerates (14)	1681.76	-0.4	9.97	5.84	12.06	14.41	1685.33	1677.14	1669.75	1575.02
44 Transport (13)	2271.73	-0.2	11.02	4.44	11.46	37.81	2276.89	2269.06	2260.41	2468.51
46 Telephone Networks (2)	1219.55	.....	10.71	4.51	12.15	0.00	1218.72	1204.55	1191.46	1047.36
47 Water (10)	1923.30	-0.6	18.12	7.04	6.11	0.00	1935.73	1946.87	1935.23	0.00
48 Miscellaneous (26)	1804.67		12.22	5.00	9.33	19.15	1805.63	1804.41	1790.06	1564.34
49 INDUSTRIAL GROUP (482)	1185.60		10.67	4.47	11.42	15.89	1182.98	1178.53	1167.21	1128.16
51 Oil & Gas (18)	2325.26	-0.8	12.20	5.34	10.83	46.43	2345.02	2355.46	2337.57	2017.17
59 500 SHARE INDEX (500)	1279.49	-0.1	10.88	4.59	11.33	18.34	1280.40	1277.03	1265.13	1203.71
61 FINANCIAL GROUP● (107)	821.85	+0.3	-	5.54	-	19.06	819.76	815.35	805.52	729.16
62 Banks (9)	893.95	+1.3	18.36	6.01	7.13	25.62	882.29	874.95	862.39	720.48
65 Insurance (Life) (7)	1432.81	+1.5	-	5.12	-	36.94	1411.52	1393.67	1381.34	1061.85
66 Insurance (Composite) (6)	697.98	+0.6	-	5.92	-	19.43	693.76	692.13	680.75	569.21
67 Insurance (Brokers) (7)	1066.42	-1.3	8.11	6.10	16.24	27.41	1080.27	1097.09	1088.05	980.89
68 Merchant Banks (7)	443.63	+0.3	-	4.47	-	4.85	442.21	440.04	439.47	333.42
69 Property (47)	1097.25	-3.0	8.19	4.26	15.65	10.86	1131.33	1112.67	1100.93	1294.48
70 Other Financial● (24)	301.99	-0.3	12.22	6.35	10.69	5.04	301.11	314.91	313.75	363.14
71 Investment Trusts (67)	1222.45	+0.1	-	3.18	-	13.32	1221.31	1212.12	1209.50	1132.17
91 Overseas Traders (5)	1415.53	+0.2	8.63	6.46	14.18	43.49	1413.40	1412.61	1405.21	1308.59
99 ALL-SHARE INDEX● (679)	1168.79	.	-	4.70	-	18.29	1168.99	1165.38	1154.24	1086.63

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 4	Jun 1	May 31	May 30	May 29	Year ago
FT-SE 100 SHARE INDEX♣	2330.1	+1.1	2398.9	2362.5	2379.0	2371.4	2345.1	2346.2	2295.6	2107.4

FIXED INTEREST

	PRICE INDICES	Tue Jun 5	Day's change %	Mon Jun 4	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.51	+0.07	115.53	0.10	5.25
2	5-15 years	121.94	+0.02	121.91	-	4.96
3	Over 15 years	124.75	-0.15	125.07	0.14	4.91
4	Irredeemables	143.37	+0.02	143.35	-	6.36
5	All stocks	121.82	+0.02	121.84	0.05	5.12
	Index-Linked					
6	Up to 5 years	145.57	+0.11	145.41	-	1.49
7	Over 5 years	138.63	+0.03	138.60	-	1.38
8	All stocks	139.04	+0.03	138.99	-	1.38
9	Debentures & Loans	98.29	+0.06	98.24	-	5.42
10	Preference	73.36	+0.05	73.33	-	2.99

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jun 5	Mon Jun 4	Year ago (approx.)
	British Government				
1	Low	5 years	11.16	11.21	10.05
2	Coupons	15 years	10.84	10.86	9.63
3		25 years	10.73	10.74	9.46
4	Medium	5 years	12.17	12.18	11.11
5	Coupons	15 years	11.35	11.33	10.14
6		25 years	10.95	10.92	9.70
7	High	5 years	12.27	12.29	11.22
8	Coupons	15 years	11.61	11.59	10.36
9		25 years	11.21	11.19	9.89
10	Irredeemables	†	10.69	10.69	9.47
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.12	5.15	4.01
12	Inflation rate 5%	Over 5 yrs.	4.14	4.14	3.83
13	Inflation rate 10%	Up to 5 yrs.	4.09	4.12	3.27
14	Inflation rate 10%	Over 5 yrs.	3.96	3.96	3.66
15	Debs &	5 years	14.13	14.35	11.91
16	Loans	15 years	13.03	13.12	11.64
17		25 years	12.90	12.89	11.36
18	Preference	†	12.57	12.57	10.26

♣Opening index 2390.7; 9 am 2394.0; 10 am 2382.8; 11 am 2362.8; Noon 2370.7; 1 pm 2379.3; 2 pm 2382.2; 3 pm 2385.3; 4 pm 2378.3; 4.10 pm 2379.6; (a) 8.43am (b) 11.05am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. ●CORRECTED FIGURES 4/6/90. Financial Group 819.76. Other Financial 301.11 and All Share Index 1168.99. CONSTITUENT CHANGE. British & Commonwealth Holdings (70) has been deleted. NAME CHANGE. Apricot Computers (5) is now ACT Group.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	36	28	34
Corporations, Dominion and Foreign Bonds	2	4	18
Industrials	380	338	865
Financial and Properties	179	153	411
Oils	25	28	36
Plantations	2	4	4
Mines	13	63	88
Others	72	65	107
Totals	709	683	1,563

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	130	110	ABI Leisure 10p	130		R4.7	3.3	4.8	8.5
-	F.P.	-	59	58	‡Cabill May Roberts fr10p	58		L024%	2.7	3.8	10.1
50	F.P.	-	50	47	Castle Cairo Inv.	48		-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

...Dividend and yield exclude special payment. ‡ Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. § Offered to holders of ordinary shares as a "rights". † Introduction. ‡ Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. B Units comprising 11 new ord. & 2 warrants. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings June 6
- Last Dealings June 15
- Last Declarations Sept 6
- For settlement Sept 17

For rate indications see end of London Share Service

Calls in First Australian Res., Aviva Pet., Hazlewood Foods; Monument Oil, British Gas, Ivernia West, Sears, Waterford Wedgwood, Western Mining, Babcock Intl. and Oliver Res. Puts in Isopad Intl. and Argos.

LONDON TRADED OPTIONS

[illegible]

Option		Jul	Sep	Nov	Jul	Sep	Nov
Ferranti (*40)	40	2½	5	5½	2	4	4½
	45	1½	-	-	6	-	-

Option		Jun	Aug	Oct	Jun	Aug	Oct
Reuters (*1200)	1150	63½	103	139	8½	26½	36¾
	1200	29¼	72¼	108	26¼	46¼	56¼

Option		Jun	Sep	Dec	Jun	Sep	Dec
Abbey Nat. (*205)	200	8½	17	22	3½	9	11
	220	1½	5	12	17	18	19

FT-SE INDEX (*2380)

	2100	2150	2200	2250	2300	2350	2400	2450
CALLS								
Jun	324	275	226	181	138	94	60	31
Jul	343	293	248	204	160	121	90	62
Aug	357	311	267	225	185	145	112	84
Sep	373	330	287	248	208	170	133	107
Oct	-	-	-	-	-	-	-	-
Dec †	402	-	323	-	247	-	180	-
PUTS								
Jun	2½	4½	5	8	13	22	39	74
Jul	7	9	12	18	25	37	55	82
Aug	11	15	19	26	34	47	64	90
Sep	14	19	24	30	42	56	74	95
Oct	-	-	-	-	-	-	-	-
Dec †	23	-	35	-	54	-	85	-

June 5 Total Contracts 35,121
Calls 23,701 Puts 11,420
FT-SE Index Calls 4072 Puts 6439
Euro FT-SE Calls 169 Puts 420
*Underlying security price. † Long dated expiry months

Pre-tax profits rise 27% to £227.5m after lower exceptional debits

Safeway continues to lift Argyll

ly Maggie Urry

ONTINUING BENEFITS from ne expansion of its Safeway hain helped Argyll, the food etailer, to announce a 17 per ent rise in profits before xceptional items and tax from 208.5m to £243.6m in the year) March 31.

However, after stripping out ome one-off gains, the result as below best expectations, id the shares slipped 4p to ose at 230p, reversing some of le gains of recent weeks.

A change in accounting poly added £2.8m to profits, and roperty chipped in £3.2m 1.2m). Interest receivable was .9m (£20.7m). After exceponal debits of £16.1m (£29.8m) hich relate to the programme converting some of Argyll's esto stores to the Safeway rmat following the acquisiin of Safeway in 1987, pre-tax ofits were 27 per cent up at 27.5m.

Mr Alistair Grant, chairman d chief executive, said this is the end of the exceptional bits which had totalled 9.4m against the original imate of £90m. In the 1989-90 ceptional figure £5m had en brought forward from current financial year to y up the profit and loss count.

Mr Grant said the current ar had started well.

Tony Andrews

Alistair Grant: exceptional costs — totalling £89.4m — for the Presto conversions, had come to an end

Group sales rose 12 per cent to £4.1bn (£3.7bn). Safeway increased sales by 35 per cent to £2.8bn and operating profits by 50 per cent to £159m, thanks to the contribution from new and converted stores. Safeway's operating margin, on sales excluding VAT, was now 6 per cent, Mr Grant said.

Volume growth in like-for-like Safeway stores was only 0.3 per cent for the year, but this was after a flat first half, Mr Grant said, and a rise of 0.5 per cent in the second half.

During the year 23 new Safeway stores were opened and 34 Presto stores converted. Only nine more conversions were planned and would be completed by the summer. With those out of the way, Mr Grant said the group could now focus on developing a more stable business.

Sales and profits from Presto fell as stores were moved over to the Safeway chain. Lo-Cost, the discount chain, which has gained stores from Presto, increased sales by 14 per cent to £374m.

Earnings per share, before exceptionals, rose by 14 per cent to 18.4p and after exceptionals by 25 per cent to 17.2p. A final proposed dividend of 4.8p (4.1p) gives a total of 7.25p, a rise of 17 per cent.

● **COMMENT**

Argyll can take credit for successfully managing the Presto conversion programme. However, to make the most of its Safeway acquisition, it must now develop the chain to become a strong rival to Sainsbury and Tesco. With balance sheet gearing under 2 per cent at the year end, Argyll has the financial muscle. It now needs to use its sales base to improve the offer to customers. While it would be unfair to dismiss the conversion programme as the easy bit, the next stage is probably harder. Even so it makes sense to back a management team which has already proved its abilities. Forecasts for the current year reach up to £280m suggesting a multiple in the 11-11½ range. Food retail shares have had a good run already this year, so it is probably not the time to buy Argyll. But its rating discount to the leaders, of about two points, might begin to narrow.

Marshalls improves by 11% to £27.7m

Andrew Taylor, Construction Correspondent

E-TAX profits of Marshalls concrete products and k manufacturer rose by 11 cent from £25.03m to .71m during the 12 months he end of March.

The group said only about h of UK sales were for sebuilding. As a result it been insulated from the st effects of a sharp down- in the UK housing market ch had severely affected e building material produc-

ales during the 12 months from £152.31m to £181.45m

Earnings per share after adjustment for a scrip issue rose from 13.53p to 14.15p.

Mr David Marshall group chairman said it was a creditable result in what had been a difficult year for some parts of the construction industry.

He said sales during the first two months of the current financial year had been satisfactory but he remained cautious about prospects for the rest of the year particularly with commercial property development forecast to join housebuilding in recession.

Concrete products, ranging from basic flagstones and kerbstones to decorative concrete paving blocks and garden products increased profits by 18 per cent and sales by 22 per cent accounting for more than two thirds of group profits.

About 40 per cent of sales were to public sector bodies mainly local authorities where concrete blocks and pavers were winning market share against black and poured concrete.

The brick division, the former family owned Armitage brick company, produced profits of £6.2m compared with £6.7m for the previous financial year when the company was included for only nine months.

Net debt at the end of March was about £47m equivalent to about 48 per cent of shareholders funds, said Mr Marshall. The group planned to reduce gearing to just over 40 per cent by the end of the current financial year.

A final dividend of 3.75p (3.25p) makes a total of 5p (4.375p) for the year.

North West Water beats forecast with £75m

By Clare Pearson

THE REPORTING season for the water companies got going yesterday when North West Water announced pre-tax profits for the year to end-March of £75m, £5m ahead of those forecast in its flotation prospectus last November.

The comparative 1989 pre-tax figure of £44.3m was struck after charging net interest of £111.8m, against £79.1m in 1990 and as forecast the recommended dividend is 10.47p.

Pro forma, assuming the industry's post flotation capital structure had been in place since April 1 1989, the company would have made pre-tax profits of £177m. On the same basis, earnings per share would have been 44.6p.

Turnover was £511.4m (457.7m). Operating profits were slightly down at £154.4m (£156.1m).

Costs associated with privatisation were taken as a £6.7m extraordinary item. But North West's share of an industry-funded "awareness" advertising campaign last year mostly accounted for a £6.8m debit which, together with an £11m restructuring charge, was taken above the line.

Excluding these two items, operating costs rose to £339.2m (£300m).

North West expects investment to cost it more than £400m this year as it embarks on its 10-year investment programme – at £4bn, the biggest in the industry. Last year it spent £264m.

On the implications of the lack of rain in the UK over the past two years, Mr Dennis Grove, chairman, said North West had had no difficulties in meeting customer demand so far and did not anticipate any difficulties in the coming months.

● **COMMENT**

North West's pre-tax figure appeared slightly pedestrian at first glance yesterday. But, after taking account of the £11m restructuring costs and some of the one-off debits, the figures took on a rosier hue. North West looked to have contained its operating costs well: a matter of considerable moment since its ability to control its massive 10-year expenditure programme, which got going only two months ago, will from now on be the key to its fortunes. Last month's emergence of Compagnie Generale des Eaux as a 2.3 per cent shareholder could well indicate that the French company hopes to have a part to play in this huge undertaking. Pre-tax profits for the current year should rise to about £195m. A 10 per cent increase in dividend from last year's notional 15.7p would be undemanding; it gives a prospective yield close to the industry average, which is around 7.7 per cent. Some analysts stress that if the market gets seriously worried about a drought this summer North West's shares should perform better than those in companies not blessed with the Lake District's abundant rainfall.

Hall Eng shares drop on lower profits warning

Hall Engineering has warned that profits for the first half of 1990 will be significantly below those achieved in the first half of last year when pre-tax profits were £6.1m. Following the announcement the shares fell 45p to 110p.

The warning came with an announcement that its subsidiary, British Reinforced Concrete Engineering had embarked on a rationalisation programme which involved the closure of its large scale bar business at Stafford with approximately 100 employees being made redundant.

The rationalisation, brought about by intense competition in the steel reinforcement market, is expected to cost £750,000 and yield annual savings of about £1m.

De La Rue profit growth held back by restructuring costs

By Nikki Tait

DE LA RUE, the bank-note printer, yesterday unveiled full-year profits bearing the costs of a substantial restructuring programme, which includes the sale or closure of all its troubled high-technology subsidiaries.

However, the company also set out a four-point strategy for the future and said that current-year order books for all parts of the business were "in good shape" and foresaw a resumption of growth.

With analysts generally upgrading forecasts for the current year the shares added 22p to 274p.

Pre-tax profits amounted to £38.5m for the year to end-March, compared with £27.3m. However, this figure was scored after an £12m (nil) exceptional item, largely made up of factory rationalisation costs and redundancy payments at the Gateshead plant. Compensating for this was £3.6m of net interest earned, compared with an £8.5m payment in the previous year.

The company said that its continuing operations - focused on currency printing, security printing and payment systems - made a trading profit of £48.1m before exceptionals, while the discontinued, technology-led operations produced a £10.7m loss (£14m deficit). Turnover was £349.4m (£523.4m).

After a £16.9m (£17.8m) tax charge, earnings per share stood at 14p (5.4p).

Below the line, there is an extraordinary charge of £57.3m. This is made up of a £31m profit on the Crosfield sale, net of a £29m refund to the purchasers to reflect Crosfield's second and third quarter losses last year, offset by a £55m write-down on the disposal of Printrak, which is being sold to management for a nominal sum. Also within the extraordinary item is an £8m charge arising from the Remsdaq subsidiary, currently up for sale, plus assorted other costs. De La Rue announced plans to pull out of a variety of electronics businesses, including Crosfield Press Controls, Remsdaq and Sygnetron, and chief executive, Mr Jeremy Marshall, said that appropriate provisions had been included in yesterday's figures.

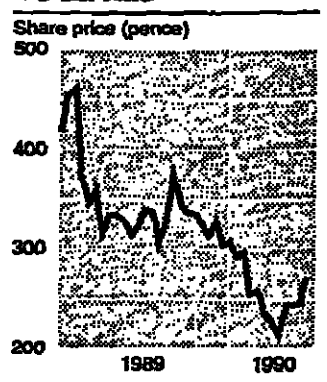
After holding the final dividend at 10p, making a same-again 13.25p for the year, the company has been obliged to transfer £56.2m from reserves.

Net cash at the year-end was £42.4m, although this does not reflect the reimbursement to the Crosfield purchasers. In its four-point strategy, De La Rue said expansion was "under careful consideration" but indicated that it would look in fields related to existing interests, and would not "be rushed in any new activity."

● **COMMENT**

To judge from these figures, the impact of De La Rue's new chief executive has been considerable. In the words of one analyst, "Not only is he swinging the axe but it is double-headed and dripping with blood." Yesterday's figures, complete with heavy exceptional and extraordinary costs, inevitably bear the brunt of this. But those charges, according to the company, should be at an end. Considerable cost-savings are due to follow, ranging from a halving of central expenses to around £5m, to "much reduced" capital expenditure levels. In the meantime, the performance of the core businesses looks solid enough. Most analysts were upgrading figures for the current year to around the £70m mark, putting the shares on a nine times rating. De La Rue's record may take some forgiving, but this seems fairly undemanding on fundamentals and certainly includes no bid premium related to the Maxwell stake - possibly quite sensibly, given that the current efforts limit the chances of anyone picking the group up on the cheap. The long-term strategy - how De La Rue counteracts the fact that its core businesses are in mature markets - is still a question-mark. But Mr Marshall reckons he has up to two years' grace as the rationalisation benefits work through, and analysts seem to agree.

De La Rue



Acatos in discussions about going private

MR IAN HUTCHESON, chairman of Acatos & Hutcheson the edible oils processor, yesterday revealed that in the light of the uncertain short-term prospects he believed the company would be better placed if it operated as a private company.

Exploratory discussions with a number of potential investors were taking place, he said, with a view to formulating a proposal to privatise the company.

The announcement came as the group reported pre-tax profits up from from £1.09m to £3.02m in the six months to April 1. Turnover in the period increased from £134.2m to £140.9m.

The company's investments in associated companies were taking longer than anticipated to come to fruition, which, together with high interest rates was depressing results.

In view of these difficult conditions, he said, the directors had decided to reduce the interim dividend to 1.75p (3.5p).

The net interest charge increased to £1.88m (£1.32m) and after tax of £1.4m (£470,000) earnings per share worked through at 5p (2p).

There was an extraordinary debit of £832,000 (nil) which represents the anticipated closure costs of the group's factory in Liverpool.

Growth abroad raises Cupid 37%

Overseas expansion helped Cupid, USM-quoted bridalwear and nursery care group, reported taxable profits up 37 per cent at £637,000, against £465,000, in the year to the end of March. Turnover was up from £4.63m to £7.32m. After tax of £211,000 (£154,000) earnings per share were 15.7p (14.2p). A single final dividend of 3p (2.2p) is proposed.

Swedes buy 5% stake in Speyhawk

NORDSTJERNAN, a Swedish listed real estate and construction group controlled by the Johnson family, has acquired 5 per cent of the capital and voting rights in the British commercial property company Speyhawk.

Since the beginning of the year, Nordstjernan's wholly owned subsidiary NCC Properties has purchased 1,295,000 shares in Speyhawk. Under London stock exchange rules, the stake had to be revealed because it amounted to more than 3 per cent.

Mr Magnus Mannesson, chief executive of NCC said the purchase was an investment in a growing property company. It had built up the stake during a period when prices were weak because of falling property values in London.

Speyhawk last week announced a 40 per cent fall in profits to £6.12m for the six months to March 31, on turnover that grew to £83.27m (£45.57m).

Boots and Smith agree on DIY chains merger terms

By Maggie Urry

BOOTS and W H Smith, the retailers, yesterday announced the merger of their out-of-town do-it-yourself retail chains to form a 50-50 owned group which will have annual sales of between £550m to £575m. Both groups expect the deal to enhance earnings per share in the first year.

The combined chain would be in "the first division" of DIY retailing, Mr Malcolm Field, chairman of the new company and group managing director of Smith, said. Neither Boots with its Payless chain nor Smith with Do It All, could see their businesses reaching that league alone, he added. Boots shares fell 5p to 305p and Smith's "A" shares fell 3p to 349p yesterday.

Mr Field said that in future the gap would widen between smaller groups and the leading players – which he listed as B&Q, owned by Kingfisher, the retail group Texas, part of Ladbroke the leisure company, and the merged company.

Sir James Blyth, chief executive of Boots, said that while each side recognised the need for rationalisation in the sector, both sides were determined to stay in the DIY market, which they each regarded as a long-term growth market. Thus a merger was the best solution.

Boots and Smith said they had agreed on a new marketing strategy for the combined group, which will trade under the Do It All name, before settling the financial details of the merger.

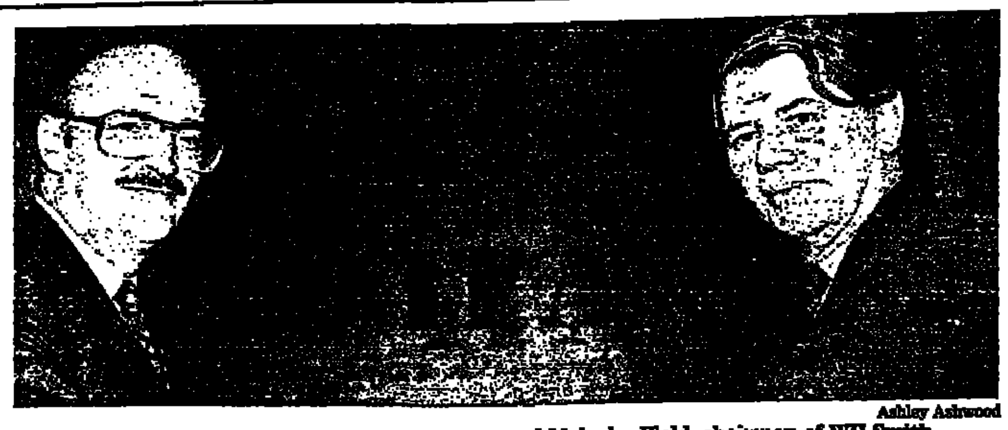
This will involve refits and refurbishments costing £100m over the next three years, which the new company could fund internally. There would be initial costs, for example in redundancy and relocation payments, but there would be "substantial" cost savings further ahead, the groups said.

Mr Peter Dobson, managing director of Payless who will hold the same position in the joint company, said buying terms from suppliers would improve through the merger and a central distribution warehouse would be built.

He added that the two chains were a good geographical fit with only a few closures of the 230 shops likely. Payless's headquarters at Sevenoaks in Kent, with around 230 employees, would be closed.

Since the Payless chain was more profitable than Do It All, Boots is receiving £50m more than Smith for the business it is putting into the joint company. Boots is taking £25m in cash, and will get £52m over five years, with payments rising towards the end of the period, and will receive a 10.5 per cent net running yield on the declining balance.

Smith will get £27m over five years, with the same rate of interest but with no interest payments in the first two years.



Ashley Ashwood

Peter Dobson (left), managing director of Payless and Malcolm Field, chairman of WH Smith

Record home shopping profits boost N Brown

By Jane Fuller

N BROWN Group, the mail order concern which saw its profits in 1988/89 devastated by the postal strike, bounced back to £12.5m in the year to March 3.

The pre-tax figure was more than double the previous year's £6.12m, recovering the bulk of the ground lost since 1987/88's £13.5m. Turnover advanced 17.5 per cent to £126.57m.

A controlling stake in the group is owned by its chairman Sir David Alliance (also chairman of Coats Viyella, the textile group) and his family.

Sir David said operating profit from home shopping was 30 per cent up on the record set in 1988. The customer database had been rebuilt after the disruption of the postal strike.

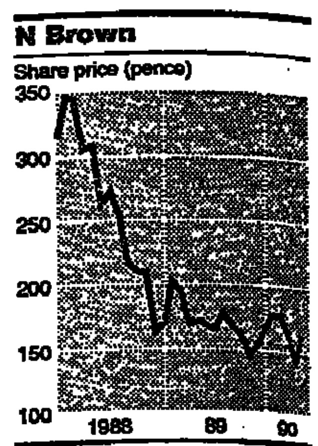
Operating profit fell, however, to £600,000 (£1.7m) from the financial and property services division, which was operating in difficult markets. The management structure had been streamlined and overheads reduced.

Mr Jim Martin, managing director, said the big profit earner was the J D Williams catalogues, aimed at women in their fifties and sixties who "preferred" larger sizes–from 12 to 32. They had proved resilient to higher interest rates either because they had no mortgage or because they were in rented homes.

The group had brought out two new catalogues, one aimed at women in their forties and the other at disabled customers.

Interest payments went up from £3.78m to £5.25m, although gearing fell from 190 per cent to 144 per cent. Mr Martin said borrowings were linked to customer credit: about 800,000 of them owed an average of £60 each.

The group was spending £13m this year on a new central warehouse to replace four existing ones. This compared with normal capital spending of less than £3m.



Earnings per share jumped to 13.95p (7.13p). A final dividend of 3.675p makes a total of 5.25p (5p).

The share price gained 5p to close at 163p.

● COMMENT

N Brown is reaping the reward of catering directly for a set of customers that others neglect. And it looks after them. For instance, because they may be sensitive to the poll tax, it is sending them information about it and how to claim rebates. It is also very good at "tweaking its database" to get that little bit more out of all its remembered buyers. The two new catalogues are examples of this. Not so clever is its diversification into surveying and fund management, bought at the top of their now sagging markets. With interest being capitalised on the warehouse project until its opening next year, the main impact of that lump of spending will be delayed. Pre-tax profit is forecast to rise to between £14m and £15.5m, giving a prospective p/e of about 10. There is room for further improvement.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Acatos & Hutch ....int	1.75	July 23	3.5	-	7
ACT Group ....fin	6.5‡	-	1.25	7.25‡	2
Allied Colloids ....fin	2.45	-	2	3.2	2.85
Argyll Group ....fin	4.8	Aug 28	4.1	7.25	8.2
Atkins Bros ....fin	8.4	July 25	7.7	12	11
Brown(N) Group ......fin	3.675	Aug 3	3.5	5.25	5
Cupid § ....fin	3†	Aug 3	2.2	3	2.2
De La Rue ....fin	10	-	10	13.25	13.25
Gt Portland Est ....fin	6	July 19	5*	9	7.5*
Marshalls ....fin	3.75	Oct 1	3.25*	5	4.375*
N West Water ....fin	10.47	-	-	10.47	-
Oriflame Int ....fin	8	Sept 26	6.5	12	10
Powell Duffryn ....fin	16	Aug 7	14.5	22.6	20.5
Rowlinson Secs ......fin	1.11	-	1.11	1.35	1.35
Sturge Holdings ......int	5.5	-	5	-	15
Warringtons ....int	1	July 13	1	-	2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Includes special dividend of 5p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- ABI Leisure, Daily Mail & General Trust, French (Thomas), United Drug.
Finals- Body Shop International, Caffyns, Channel Tunnel Investments, Electrocomponents, Erskine House, Fletcher King, Kenbrey, Powerscreen International, Thames Water, Wintrust.

FUTURE DATES

Interims-

VPI	June 14
Finals-	
Birmingham Mint	July 11
Cohen (A)	June 12
Faupel Trading	June 22
Security Archives	June 18
South West Water	June 7

Notice of Meetings of the Holders of

Bond Finance International
(the "Issuer")

U.S. $200,000,000 5¾ per cent.

Guaranteed Subordinated Convertible Bonds due 1997

Unconditionally guaranteed on a subordinated basis by, with non-detachable subordinated conversion bonds issued by and with conversion rights into Ordinary Shares of,

Bond Corporation Holdings Limited
(the "Guarantor")

NOTICE IS HEREBY GIVEN that Meetings of the holders (the "Bondholders") of the above-mentioned Bonds (the "Bonds") and conversion bonds constituted by a Trust Deed dated 9th July, 1987 (the "Trust Deed") and made between the Issuer, the Guarantor and Bankers Trustee Company Limited (the "Trustee") will be held at 2.00 pm (London time) (or, if later, immediately after the conclusion of the Meeting of the holders of the £103,850,000 6 per cent. Guaranteed Exchangeable Bonds due 1998 of Bond Finance (Exchangeables) Limited), in the case of the first Meeting referred to below and at 2.30 pm (London time) (or, if later, immediately after the conclusion of the first Meeting), in the case of the second Meeting referred to below, on 28th June, 1990 at 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW for the purpose of considering and, if thought fit, passing the following Extraordinary Resolutions:–

FIRST MEETING
EXTRAORDINARY RESOLUTION

THAT this meeting of the holders of the U.S. $200,000,000 5¾ per cent. Guaranteed Subordinated Convertible Bonds due 1997 (the "Bonds") of Bond Finance International (the "Issuer"), unconditionally guaranteed on a subordinated basis by, with non-detachable subordinated conversion bonds (the "Conversion Bonds") issued by and with conversion rights into Ordinary Shares of, Bond Corporation Holdings Limited (the "Guarantor"), constituted by a Trust Deed (the "Trust Deed") dated 9th July, 1987 and made between the Issuer, the Guarantor and Bankers Trustee Company Limited (the "Trustee"), hereby:–

(i) waives and authorises any breach or proposed breach by the Issuer or the Guarantor of the covenant by the Guarantor contained in Clause 11(C) (iii) of the Trust Deed that may arise as a result of the sale by the Guarantor of 50 per cent. of the issued ordinary share capital and all of the issued preference share capital of Bond Brewing Holdings Limited ("BBH") to Manchar Holdings Pty. Ltd., a wholly owned subsidiary of Bell Resources Limited, on the terms more particularly set out in the Information Memorandum dated 6th June, 1990 prepared by the Guarantor and produced to this Meeting (a copy of which has been initialled for identification by the Chairman of the Meeting) (or such terms as from time to time modified or amended (including by way of novation to a different purchaser of the agreement relating to such sale) provided that the Guarantor shall have procured that its auditors for the time being shall have certified to the Trustee in form and manner acceptable to the Trustee that any such modification or amendment or novation shall have no greater impact on the ability of BBH or any of its subsidiaries to make payments or otherwise to make amounts available to the Guarantor than the terms of the proposed sale more particularly described in the Information Memorandum and shall not include any material change in the purchase price of such sale);

(ii) sanctions every abrogation, modification, variation, compromise or arrangement in respect of the rights of the holders of the Bonds, the Conversion Bonds and the coupons relating to the Bonds against the Issuer or the Guarantor involved in or resulting from the breach or proposed breach referred to in paragraph (i) of this Resolution; and

(iii) authorises the Issuer, the Guarantor and the Trustee to concur in, execute or do any document, act or thing necessary to give effect to this Extraordinary Resolution and authorises the Trustee to provide any formal consent or approval necessary to enable the sale as referred to in (i) above to proceed.

SECOND MEETING
EXTRAORDINARY RESOLUTION

THAT this meeting of the holders of the U.S. $200,000,000 5¾ per cent. Guaranteed Subordinated Convertible Bonds due 1997 (the "Bonds") of Bond Finance International (the "Issuer"), unconditionally guaranteed on a subordinated basis by, with non-detachable subordinated conversion bonds (the "Conversion Bonds") issued by and with conversion rights into Ordinary Shares of, Bond Corporation Holdings Limited (the "Guarantor"), constituted by a Trust Deed (the "Trust Deed") dated 9th July, 1987 and made between the Issuer, the Guarantor and Bankers Trustee Company Limited (the "Trustee"), hereby:–

(i) approves, authorises and gives consent to the deferral of the interest due on the Bonds on 9th July, 1990 until 9th July, 1991, such interest then to be payable in full with the interest due on the Bonds on 9th July, 1991, on condition that there is issued to the Trustee on behalf of the Bondholders by the Issuer an unsecured unsubordinated promissory note in respect of the full amount of the interest due on the Bonds on 9th July, 1990, such note to be guaranteed by the Guarantor and payable on 9th July, 1991 in the event that such interest is not paid on that date by the Issuer and to be issued on such other terms described in the Information Memorandum dated 6th June, 1990 prepared by the Guarantor and produced to this Meeting (a copy of which has been initialled for identification by the Chairman of the Meeting);

(ii) waives any breach by the Issuer or the Guarantor as a result of such deferral of interest of the provisions of the Trust Deed or the Bonds or the coupons attached thereto or the Conversion Bonds and confirms that such deferral of interest shall not constitute an event of default under the provisions of condition 13 of the terms and conditions of the Bonds or any other condition or under the Trust Deed and sanctions every abrogation, modification, variation, compromise or arrangement in respect of the rights of the holders of the Bonds, the Conversion Bonds and the coupons relating to the Bonds against the Issuer or the Guarantor involved in or resulting from the deferral referred to in this Resolution; and

(iii) authorises the Issuer, the Guarantor and the Trustee to concur in, execute or do any document, act or thing necessary to give effect to this Extraordinary Resolution.

These Meetings are convened by the Issuer.

Copies of the information memorandum (the "Information Memorandum") referred to in the Extraordinary Resolutions set out above and which sets out details of the background to, and reasons for, the proposed arrangements and the Extraordinary Resolutions will be available for collection by Bondholders at the specified offices of the Paying Agents for the Bonds set out below on and after 6th June, 1990 and at the Meetings themselves. A Bondholder will be required to produce evidence satisfactory to the relevant Paying Agent as to his status as a Bondholder before being permitted to collect a copy of the Information Memorandum from the offices of that Paying Agent.

The attention of Bondholders is particularly drawn to the quorum required for each Meeting and for an adjourned meeting which is set out in paragraph 2 of "Voting and Quorum" below.

In the event that the second Meeting is adjourned to a date falling on or after 9th July, 1990, the date for payment of interest on the Bonds, but within the period of 14 days thereafter, the Issuer will not make payment of the interest due on the Bonds on 9th July, 1990 or on any date prior to the holding of the adjourned second Meeting pending the holding of the adjourned second Meeting and a decision of Bondholders on the Extraordinary Resolution set out above to be proposed at that Meeting.

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed arrangements. The Issuer expects to convene another meeting of Bondholders to take place on or about 30th November, 1990 at which meeting the Guarantor would expect to be able to present to Bondholders reconstruction proposals for consideration by Bondholders as more particularly set out in the Information Memorandum.

VOTING AND QUORUM

1. A Bondholder wishing to attend and vote at either of the Meetings in person must produce at the relevant Meeting either his Bond(s), or, in the case of Bonds issued in bearer form ("Bearer Bonds"), a valid voting certificate or valid voting certificates issued by a Paying Agent relative to the Bearer Bond(s), in respect of which he wishes to vote.
A holder of Bearer Bonds not wishing to attend and vote at either of the Meetings in person may either deliver his Bearer Bond(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified office of any of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the relevant Meeting in accordance with his instructions.
Bearer Bonds may be deposited until the time being 48 hours before the time fixed for holding the relevant Meeting (or, if applicable, any adjournment of such Meeting) but not thereafter with any Paying Agent or (to the satisfaction of the Paying Agent) held to its order or under its control by the Operator of the Euroclear System or by CEDEL S.A. or any other person approved by it, for the purpose of obtaining voting certificates or appointing proxies in respect of the relevant Meeting. Bonds so deposited or held will not be released until the earlier of the conclusion of the relevant Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the relevant Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.
A holder of Bonds in registered form ("Registered Bonds") may by an instrument in writing in the English language signed by that Bondholder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person as his or its proxy to act on his or its behalf in connection with either of the Meetings. The form of proxy must be delivered to the specified office of a Transfer Agent or the Registrar set out below not later than 48 hours before the time fixed for the relevant Meeting.
Any holder of a Registered Bond which is a corporation may by resolution of its directors or other governing body in the English language authorise any person to act as its representative in connection with either of the Meetings.
2. The quorum required at the first Meeting for passing the first Extraordinary Resolution (the "First Resolution") set out above is two or more persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate a clear majority in principal amount of the Bonds for the time being outstanding. The quorum required at the second Meeting for the passing of the second Extraordinary Resolution (the "Second Resolution") set out above shall be persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than two-thirds of the principal amount of the Bonds for the time being outstanding. If within 15 minutes from the time appointed for the first Meeting a quorum for the passing of the First Resolution is not present at the Meeting, the Meeting will stand adjourned (for such period, not being less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting and approved by the Trustee) and the First Resolution will be considered at that adjourned Meeting (notice of which will be given to the Bondholders). If, within 15 minutes from the time appointed for the second Meeting a quorum for the passing of the Second Resolution is not present at the Meeting, the Meeting will stand adjourned (for such period, not being less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting and approved by the Trustee) and the Second Resolution will be considered at that adjourned meeting (notice of which will be given to the Bondholders). The quorum required to consider the First Resolution at an adjourned Meeting will be two or more persons present holding Bonds or voting certificates or being proxies or representatives (whatever the principal amount of the Bonds so held or represented by them) and the quorum required to consider the Second Resolution at an adjourned Meeting will be two or more persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-third of the principal amount of the Bonds for the time being outstanding.
3. Every question submitted to either Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or the Issuer or by two or more persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-fiftieth part of the principal amount of the Bonds then outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy or representative shall have one vote. On a poll every person who is so present shall have one vote in respect of each U.S. $1,000 in principal amount of the Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy or representative.
4. To be passed, each of the Extraordinary Resolutions requires a majority in favour consisting of not less than three-fourths of the votes cast thereon. If passed, each of the Extraordinary Resolutions will be binding upon all the Bondholders, whether or not present at the relevant Meeting and whether or not voting, and upon all the holders of coupons relating to the Bonds.

AVAILABILITY OF DOCUMENTS

Copies of the Trust Deed may be inspected, and copies of the Information Memorandum, voting certificates and other documents referred to above may be obtained, by Bondholders from the specified office of any of the Paying Agents given below.

PRINCIPAL PAYING AGENT
Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE.

PAYING AGENTS AND TRANSFER AGENTS
Swiss Bank Corporation, 1 Aeschenvorstadt, CH-4002 Basle
Banque Indosuez Luxembourg, 39 Allee Scheffer, L 200 Luxembourg.

REGISTRAR AND TRANSFER AGENT
Bankers Trust Company, Four Albany Street, New York, N.Y. 10015

Dated 6th June, 1990 Bond Finance International

This Notice has been approved by an authorised person for the purposes of the Financial Services Act 1986.

THIS NOTICE IS IMPORTANT. IF BONDHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE THEY SHOULD CONSULT THEIR STOCKBROKER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

Notice of Meetings of the Holders of

Bond Finance International
(the "Issuer")

£80,000,000 6 per cent.

Guaranteed Subordinated Convertible Bonds due 1997

Unconditionally guaranteed on a subordinated basis by, with non-detachable subordinated conversion bonds issued by and with conversion rights into Ordinary Shares of,

Bond Corporation Holdings Limited
(the "Guarantor")

NOTICE IS HEREBY GIVEN that Meetings of the holders (the "Bondholders") of the above-mentioned Bonds (the "Bonds") and conversion bonds constituted by a Trust Deed dated 9th July, 1987 (the "Trust Deed") and made between the Issuer, the Guarantor and Bankers Trustee Company Limited (the "Trustee") will be held at 3.00 pm (London time) (or, if later, immediately after the conclusion of the second Meeting of the holders of the U.S. $200,000,000 Guaranteed Subordinated Convertible Bonds due 1997 of the Issuer), in the case of the first Meeting referred to below and at 3.30 pm (London time) (or, if later, immediately after the conclusion of the first Meeting), in the case of the second Meeting referred to below, on 28th June, 1990 at 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW for the purpose of considering and, if thought fit, passing the following Extraordinary Resolutions:–

FIRST MEETING
EXTRAORDINARY RESOLUTION

THAT this meeting of the holders of the £80,000,000 6 per cent. Guaranteed Subordinated Convertible Bonds due 1997 (the "Bonds") of Bond Finance International (the "Issuer"), unconditionally guaranteed on a subordinated basis by, with non-detachable subordinated conversion bonds (the "Conversion Bonds") issued by and with conversion rights into Ordinary Shares of, Bond Corporation Holdings Limited (the "Guarantor"), constituted by a Trust Deed (the "Trust Deed") dated 9th July, 1987 and made between the Issuer, the Guarantor and Bankers Trustee Company Limited (the "Trustee"), hereby:–

(i) waives and authorises any breach or proposed breach by the Issuer or the Guarantor of the covenant by the Guarantor contained in Clause 11(C) (iii) of the Trust Deed that may arise as a result of the sale by the Guarantor of 50 per cent. of the issued ordinary share capital and all of the issued preference share capital of Bond Brewing Holdings Limited ("BBH") to Manchar Holdings Pty. Ltd., a wholly owned subsidiary of Bell Resources Limited, on the terms more particularly set out in the Information Memorandum dated 6th June, 1990 prepared by the Guarantor and produced to this Meeting (a copy of which has been initialled for identification by the Chairman of the Meeting) (or such terms as from time to time modified or amended (including by way of novation to a different purchaser of the agreement relating to such sale) provided that the Guarantor shall have procured that its auditors for the time being shall have certified to the Trustee in form and manner acceptable to the Trustee that any such modification or amendment or novation shall have no greater impact on the ability of BBH or any of its subsidiaries to make payments or otherwise to make amounts available to the Guarantor than the terms of the proposed sale more particularly described in the Information Memorandum and shall not include any material change in the purchase price of such sale);

(ii) sanctions every abrogation, modification, variation, compromise or arrangement in respect of the rights of the holders of the Bonds, the Conversion Bonds and the coupons relating to the Bonds against the Issuer or the Guarantor involved in or resulting from the breach or proposed breach referred to in paragraph (i) of this Resolution; and

(iii) authorises the Issuer, the Guarantor and the Trustee to concur in, execute or do any document, act or thing necessary to give effect to this Extraordinary Resolution and authorises the Trustee to provide any formal consent or approval necessary to enable the sale as referred to in (i) above to proceed.

SECOND MEETING
EXTRAORDINARY RESOLUTION

THAT this meeting of the holders of the £80,000,000 6 per cent. Guaranteed Subordinated Convertible Bonds due 1997 (the "Bonds") of Bond Finance International (the "Issuer"), unconditionally guaranteed on a subordinated basis by, with non-detachable subordinated conversion bonds (the "Conversion Bonds") issued by and with conversion rights into Ordinary Shares of, Bond Corporation Holdings Limited (the "Guarantor"), constituted by a Trust Deed (the "Trust Deed") dated 9th July, 1987 and made between the Issuer, the Guarantor and Bankers Trustee Company Limited (the "Trustee"), hereby:–

(i) approves, authorises and gives consent to the deferral of the interest due on the Bonds on 9th July, 1990 until 9th July, 1991, such interest then to be payable in full with the interest due on the Bonds on 9th July, 1991, on condition that there is issued to the Trustee on behalf of the Bondholders by the Issuer an unsecured unsubordinated promissory note in respect of the full amount of the interest due on the Bonds on 9th July, 1990, such note to be guaranteed by the Guarantor and payable on 9th July, 1991 in the event that such interest is not paid on that date by the Issuer and to be issued on such other terms described in the Information Memorandum dated 6th June, 1990 prepared by the Guarantor and produced to this Meeting (a copy of which has been initialled for identification by the Chairman of the Meeting);

(ii) waives any breach by the Issuer or the Guarantor as a result of such deferral of interest of the provisions of the Trust Deed or the Bonds or the coupons attached thereto or the Conversion Bonds and confirms that such deferral of interest shall not constitute an event of default under the provisions of condition 13 of the terms and conditions of the Bonds or any other condition or under the Trust Deed and sanctions every abrogation, modification, variation, compromise or arrangement in respect of the rights of the holders of the Bonds, the Conversion Bonds and the coupons relating to the Bonds against the Issuer or the Guarantor involved in or resulting from the deferral referred to in this Resolution; and

(iii) authorises the Issuer, the Guarantor and the Trustee to concur in, execute or do any document, act or thing necessary to give effect to this Extraordinary Resolution.

These Meetings are convened by the Issuer.

Copies of the information memorandum (the "Information Memorandum") referred to in the Extraordinary Resolutions set out above and which sets out details of the background to, and reasons for, the proposed arrangements and the Extraordinary Resolutions will be available for collection by Bondholders at the specified offices of the Paying Agents for the Bonds set out below on and after 6th June, 1990 and at the Meetings themselves. A Bondholder will be required to produce evidence satisfactory to the relevant Paying Agent as to his status as a Bondholder before being permitted to collect a copy of the Information Memorandum from the offices of that Paying Agent.

The attention of Bondholders is particularly drawn to the quorum required for each Meeting and for an adjourned meeting which is set out in paragraph 2 of "Voting and Quorum" below.

In the event that the second Meeting is adjourned to a date falling on or after 9th July, 1990, the date for payment of interest on the Bonds, but within the period of 14 days thereafter, the Issuer will not make payment of the interest due on the Bonds on 9th July, 1990 or on any date prior to the holding of the adjourned second Meeting pending the holding of the adjourned second Meeting and a decision of Bondholders on the Extraordinary Resolution set out above to be proposed at that Meeting.

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed arrangements. The Issuer expects to convene another meeting of Bondholders to take place on or about 30th November, 1990 at which meeting the Guarantor would expect to be able to present to Bondholders reconstruction proposals for consideration by Bondholders as more particularly set out in the Information Memorandum.

VOTING AND QUORUM

1. A Bondholder wishing to attend and vote at either of the Meetings in person must produce at the relevant Meeting either his Bond(s), or, in the case of Bonds issued in bearer form ("Bearer Bonds"), a valid voting certificate or valid voting certificates issued by a Paying Agent relative to the Bearer Bond(s), in respect of which he wishes to vote.
A holder of Bearer Bonds not wishing to attend and vote at either of the Meetings in person may either deliver his Bearer Bond(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified office of any of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the relevant Meeting in accordance with his instructions.
Bearer Bonds may be deposited until the time being 48 hours before the time fixed for holding the relevant Meeting (or, if applicable, any adjournment of such Meeting) but not thereafter with any Paying Agent or (to the satisfaction of the Paying Agent) held to its order or under its control by the Operator of the Euroclear System or by CEDEL S.A. or any other person approved by it, for the purpose of obtaining voting certificates or appointing proxies in respect of the relevant Meeting. Bonds so deposited or held will not be released until the earlier of the conclusion of the relevant Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the relevant Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.
A holder of Bonds in registered form ("Registered Bonds") may by an instrument in writing in the English language signed by that Bondholder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person as his or its proxy to act on his or its behalf in connection with either of the Meetings. The form of proxy must be delivered to the specified office of a Transfer Agent or the Registrar set out below not later than 48 hours before the time fixed for the relevant Meeting.
Any holder of a Registered Bond which is a corporation may by resolution of its directors or other governing body in the English language authorise any person to act as its representative in connection with either of the Meetings.
2. The quorum required at the first Meeting for passing the first Extraordinary Resolution (the "First Resolution") set out above is two or more persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate a clear majority in principal amount of the Bonds for the time being outstanding. The quorum required at the second Meeting for the passing of the second Extraordinary Resolution (the "Second Resolution") set out above shall be persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than two-thirds of the principal amount of the Bonds for the time being outstanding. If within 15 minutes from the time appointed for the first Meeting a quorum for the passing of the First Resolution is not present at the Meeting, the Meeting will stand adjourned (for such period, not being less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting and approved by the Trustee) and the First Resolution will be considered at that adjourned Meeting (notice of which will be given to the Bondholders). If, within 15 minutes from the time appointed for the second Meeting a quorum for the passing of the Second Resolution is not present at the Meeting, the Meeting will stand adjourned (for such period, not being less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting and approved by the Trustee) and the Second Resolution will be considered at that adjourned meeting (notice of which will be given to the Bondholders). The quorum required to consider the First Resolution at an adjourned Meeting will be two or more persons present holding Bonds or voting certificates or being proxies or representatives (whatever the principal amount of the Bonds so held or represented by them) and the quorum required to consider the Second Resolution at an adjourned Meeting will be two or more persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-third of the principal amount of the Bonds for the time being outstanding.
3. Every question submitted to either Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or the Issuer or by two or more persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-fiftieth part of the principal amount of the Bonds then outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy or representative shall have one vote. On a poll every person who is so present shall have one vote in respect of each £1,000 in principal amount of the Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy or representative.
4. To be passed, each of the Extraordinary Resolutions requires a majority in favour consisting of not less than three-fourths of the votes cast thereon. If passed, each of the Extraordinary Resolutions will be binding upon all the Bondholders, whether or not present at the relevant Meeting and whether or not voting, and upon all the holders of coupons relating to the Bonds.

AVAILABILITY OF DOCUMENTS

Copies of the Trust Deed may be inspected, and copies of the Information Memorandum, voting certificates and other documents referred to above may be obtained, by Bondholders from the specified office of any of the Paying Agents given below.

PRINCIPAL PAYING AGENT
Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE.

PAYING AGENTS AND TRANSFER AGENTS
Swiss Bank Corporation, 1 Aeschenvorstadt, CH-4002 Basle
Banque Indosuez Luxembourg, 39 Allee Scheffer, L 200 Luxembourg.

REGISTRAR AND TRANSFER AGENT
Bankers Trust Company, Four Albany Street, New York, N.Y. 10015

Dated 6th June, 1990 Bond Finance International

This Notice has been approved by an authorised person for the purposes of the Financial Services Act 1986.

THIS NOTICE IS IMPORTANT. IF BONDHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE THEY SHOULD CONSULT THEIR STOCKBROKER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

FIDELITY FAR EAST FUND
Societe d'Investissement a Capital Variable
5, Boulevard de la Foire
R.C. Luxembourg B25918
Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of the Shareholders of FIDELITY FAR EAST FUND, a societe d'investissement a capital variable organised under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the registered office of the Fund, 5, Boulevard de la Foire, Luxembourg, at 11.00 a.m. on June 26, 1990, for the following purposes:

1. Presentation of the Report of the Board of Directors.
2. Presentation of the Report of the Auditor.
3. Approval of the balance sheet and income statement for the fiscal year ended February 28, 1990.
4. Ratification of the co-option of Charles T. M. Collis as a Director of the Fund in replacement of John M. S. Patton.
5. Election of six (6) Directors, specifically the re-election of the following six (6) present Directors: Messrs. Edward C. Johnson 3d, Charles T.M. Collis, Charles A. Fraser, Jean Hamilius, Harry G.A. Seggerman and H.F. van den Hoven;
6. Election of the Auditor, specifically the election of Coopers & Lybrand; Luxembourg;
7. Declaration of dividends in respect of the fiscal year ended February 28, 1990.
8. Consideration of such other business as may properly come before the meeting.

Approval of the above Items of the agenda will require the affirmative vote of a majority of the shares present or represented at the meeting with no minimum number of shares present or represented in order for a quorum to be present. Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A Shareholder may act at any meeting by proxy.

Dated: May 22, 1990
BY ORDER OF THE BOARD OF DIRECTORS

fits
wn

Which Company?

1. Which company has successfully grown its network from 137 to 300 supermarkets in the last three years?

2. Which company has built 1.7 million square feet of new selling space in the last three years?

3. Which company now has a truly nationwide supermarket chain, from Inverness to Penzance?

4. Which company recently put its Chairman and Executive Directors in the firing line at the first major shoppers' conference held by a British supermarket?

5. Which company was first to re-cycle its own (and anyone else's) plastic carrier bags?

6. Which company has one of the largest retail pharmacy operations in the UK?

7. Which company is a major force behind Europe's leading organic farming centre?

8. Which company has built one of the largest and most efficient food distribution centres in Europe?

9. Which company was the first to establish an alliance with leading grocery retailers in Europe?

10. Which company is dedicated to maintaining and improving its superior reputation for customer service and courtesy?

POWELL DUFFRYN

Results 1989/1990

- Maintained profits
- 10% increase in dividends

	1989-90	1988-89
Profit before tax	£33.6m	£33.9m
Earnings per share	36.8p	38.6p
Dividends per share	22.6p	20.5p

For the future

- Strong Engineering order books
- Planned sale of Coal Distribution activities
- Proposed joint venture of US Chemical Storage Terminals
- Reduced dependence on winter related fuels
- Confidence in long-term performance

The Annual Report will be sent to shareholders on or about 25th June 1990.
Copies will be available on application to the Secretary.

POWELL DUFFRYN
One of Britain's most interesting industrial groups.

Powell Duffryn plc, Powell Duffryn House, London Road, Bracknell, Berkshire RG12 2AQ.

DISTRIBUTION AND STORAGE · ENGINEERING · CONSTRUCTION MATERIALS

UK COMPANY NEWS

Powell Duffryn coal interest disposal

By Jane Fuller

AFTER MORE than 100 years in coal distribution, Powell Duffryn is selling all but the import side of its coal business.

The group, which sprang from the South Wales coal mines, announced yesterday, along with its full-year results, that it was disposing of its coal distribution businesses in the UK and Northern Ireland. These accounted for about £90m of turnover last year, but had been making dwindling contributions to profit over a longer period.

The group said that apart from the slackening of demand imposed by a third successive mild winter, the market for coal was deteriorating because of environmental pressures.

It also announced that it was looking for a partner for another disappointing performer: chemicals storage in the US. Mr Bill Andrews, chief executive, said this activity had made only £200,000 profit on £12m turnover last year.

The two disposals were expected to reduce gearing from 40 per cent at the year-end to less than 25 per cent, inferring proceeds of roughly £30m.

A more immediate piece of good news for the market, helping to add 25p to the share price which closed at 341p, was a dividend increase of 10.2 per cent, in spite of a fall in earnings per share to 36.8p (38.6p).

David Hubbard, chairman (left) and Bill Andrews, chief executive

The flat pre-tax profit of £33.62m (£33.93m) came on turnover up 8.3 per cent to £726.42m. Mr David Hubbard, chairman, said that excluding the weather-affected fuel distribution business, trading profit was up 18 per cent.

Fuel distribution profit fell to £7.23m on sales of £351m.

Shipping, on the other hand, was buffeted by gales and trading profit slipped to £5.7m (£6.5m).

The star performer was engineering with profit up to £19.97m (£13.76m), the main contributor being the Hamworthy pumps and compressors business.

Construction materials had suffered from a plummeting demand for bricks, whereas aggregates had held up well.

Mr Hubbard said the interest bill of £8.1m (£4.9m) was partly due to a rise in capital spending to £60m. This was likely to fall by a third this year.

A final dividend of 16p makes a total of 22.6p (20.5p). Dividend cover fell to 1.6.

Retained profit was increased by 50 per cent after an extraordinary credit of £5.4m, mainly from land sales.

● COMMENT

Earlier this year, Powell Duffryn's share price fell from 400p to 310p with every rise of the unseasonal sun. Fears grew for the dividend from this solid income stock. So the first response to the group's figures has been relief. But the other bit of news is more interesting. At last, Powell Duffryn has set about reducing its exposure to the weather. With coal peeled away, fuel distribution margins are set to rise and the other parts of the business, notably engineering, are starting to attract attention. Even another mild winter should produce pre-tax profit of £38m, giving a prospective p/e of just over 8. Supported by a prospective yield of more than 9 per cent and, at last, by growth prospects, the price has scope for further recovery. It is tempting to relabel the group Powell "interesting" Duffryn.

Rowlinson setback with no exceptional disposals

REDUCED pre-tax profits of £2.81m against a previous £3.11m were announced by Rowlinson Securities, property investor and developer, for the year to March 31 1990.

Mr Peter Rowlinson, the chairman, described the period as one of consolidation, and that the results last time reflected a number of exceptional property disposals.

He said the group had been able to perform well during the recent downturn in the commercial property market due to its geographical spread and low gearing.

Income from property investments had been buoyant while the group had proceeded cautiously on the development side.

He added that with low gearing Rowlinson was strongly placed to seek out exceptional deals and he was confident of its ability to weather the current depressed conditions in the UK.

Turnover was a lower £9.54m (£13.37m) although rental income rose to £2.1m (£1.6m).

Earnings fell to 14.84p (16.94p) per share but the dividend total is maintained at 1.35p with an unchanged final of 1.11p proposed.

Waterford Foods I£17m preference issue

WATERFORD Foods proposes to acquire Galloway-West from Waterford Co-op Society and to raise I£17m (£16.01m) by way of an issue of unquoted 7 per cent convertible preference shares.

Waterford Co-op has undertaken to subscribe for all of the issue, subject to an offer to the 'A' ordinary shareholders of Waterford Foods.

The Co-op has developed arrangements to make the preference shares available to its shareholders, milk suppliers and other patrons in return for op the issue of 7 per cent investment stockin the Co-op and continuing participation in the group over the next five years.

Waterford Foods proposes to exercise its option to acquire Galloway-West from Waterford Co-op to facilitate its full integration into Waterford Foods.

The price payable is I£194,196 being the issue of 194,196 new 'A' ordinary shares.

The issue of convertible preference shares is by way of subscription and offer to shareholders who will be invited to subscribe for one new preference share for every nine 'A' ordinary shares held.

Waterford Co-op proposes to issue, on an annual basis for five years, 7 per cent investment stock at 25p per unit to raise up to I£4m.

RTZ pays US$15m for uranium interest

By Kenneth Gooding, Mining Correspondent

RTZ CORPORATION, the world's biggest mining group, has paid US$15m (£8.93m) for a 50 per cent interest in the Green Mountain uranium project in Wyoming.

The vendors, US Energy, a quoted US company, and Crested Corp, will be entitled to up to $45m more if the uranium price, currently languishing below $9 a lb in the free market, recovers and moves above $24.

RTZ's Utah-based subsidiary, Kennecott, has also agreed to fund the first $50m of development expenses. Kennecott hopes the permitting process will be completed by the end of this year and that a mine will start up in 1993.

Reserves at the Green Mountain project total about 74m lbs of U308 (uranium dioxide) and Kennecott expects annual output at full capacity to be about 4m lbs.

RTZ already accounts for about 10 per cent of western world uranium output through its associates CRA in Australia, Rio Algom in Canada and its Rössing subsidiary in Namibia.

● Deak International Inc has sold its Australian and New Zealand precious metals refining, fabrication and marketing businesses to Johnson Matthey for more than NZ$16m (£7.3m), Deak's owner Jarden Morgan Ltd said.

Jarden is 43 pct-owned by NZI Corp Ltd, a unit of General Accident Fire and Life Assurance Corp.

RHEOX purchase

RHEOX has reached an agreement with Akzo N.V., the Netherlands based company to purchase the business of Perchem for an undisclosed sum. The purchase will be in conjunction with Steetley Minerals, the minority shareholder of the jointly- owned RHEOX facilities of Abbey Chemicals.

Notice of a Meeting of the Holders of

Bond Finance (Exchangeables) Limited
(the "Issuer")

£103,850,000 6 per cent.
Guaranteed Exchangeable Bonds due 1998
Exchangeable into Ordinary Shares of Allied-Lyons PLC
and guaranteed on a subordinated basis by

Bond Corporation Holdings Limited
(the "Guarantor")

NOTICE IS HEREBY GIVEN that a Meeting of the holders (the "Bondholders") of the above-mentioned Bonds (the "Bonds") constituted by a Trust Deed dated 6th July, 1988 (the "Trust Deed") and made between the Issuer, the Guarantor and Bankers Trustee Company Limited (the "Trustee") will be held at 12.30 pm (London time) (or, if later, immediately after the conclusion of the Meeting of the holders of the £125,000,000 6 per cent. Guaranteed Exchangeable Bonds due 1998 of Bond Finance (Europe) Limited), on 28th June, 1990 at 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW for the purpose of considering and, if thought fit, passing the following Extraordinary Resolution:–

EXTRAORDINARY RESOLUTION

THAT this meeting of the holders of the £103,850,000 6 per cent. Guaranteed Exchangeable Bonds due 1998 (the "Bonds") of Bond Finance (Exchangeables) Limited (the "Issuer"), exchangeable into Ordinary Shares of Allied-Lyons PLC and guaranteed on a subordinated basis by Bond Corporation Holdings Limited (the "Guarantor"), constituted by a Trust Deed (the "Trust Deed") dated 6th July, 1988 and made between the Issuer, the Guarantor and Bankers Trustee Company Limited (the "Trustee"), hereby:–

(i) waives and authorises any breach or proposed breach by the Issuer or the Guarantor of the covenant by the Guarantor contained in Clause 19(C) (iii) of the Trust Deed that may arise as a result of the sale by the Guarantor of 50 per cent. of the issued ordinary share capital and all of the issued preference share capital of Bond Brewing Holdings Limited ("BBH") to Manchar Holdings Pty. Ltd., a wholly owned subsidiary of Bell Resources Limited, on the terms more particularly set out in the Information Memorandum dated 6th June, 1990 prepared by the Guarantor and produced to this Meeting (a copy of which has been initialled for identification by the Chairman of the Meeting) (or such terms as from time to time modified or amended (including by way of novation to a different purchaser of the agreement relating to such sale) provided that the Guarantor shall have procured that its auditors for the time being shall have certified to the Trustee in form and manner acceptable to the Trustee that any such modification or amendment or novation shall have no greater impact on the ability of BBH or any of its subsidiaries to make payments or otherwise to make amounts available to the Guarantor than the terms of the proposed sale more particularly described in the Information Memorandum and shall not include any material change in the purchase price of such sale);

(ii) sanctions every abrogation, modification, variation, compromise or arrangement in respect of the rights of the holders of the Bonds and the coupons relating to the Bonds against the Issuer or the Guarantor involved in or resulting from the breach or proposed breach referred to in paragraph (i) of this Resolution; and

(iii) authorises the Issuer, the Guarantor and the Trustee to concur in, execute or do any document, act or thing necessary to give effect to this Extraordinary Resolution and authorises the Trustee to provide any formal consent or approval necessary to enable the sale as referred to in (i) above to proceed.

This Meeting is convened by the Issuer.

Copies of the information memorandum (the "Information Memorandum") referred to in the Extraordinary Resolution set out above and which sets out details of the background to, and reasons for, the proposed arrangements and the Extraordinary Resolution will be available for collection by Bondholders at the specified offices of the Paying Agents for the Bonds set out below on and after 6th June, 1990 and at the Meeting itself. A Bondholder will be required to produce evidence satisfactory to the relevant Paying Agent as to his status as a Bondholder before being permitted to collect a copy of the Information Memorandum from the offices of that Paying Agent.

The attention of Bondholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed arrangements.

VOTING AND QUORUM

1. A Bondholder wishing to attend and vote at the Meeting in person must produce at the Meeting either his Bond(s), or a valid voting certificate or valid voting certificates issued by a Paying Agent relative to the Bond(s), in respect of which he wishes to vote.
   A holder of Bonds not wishing to attend and vote at the Meeting in person may either deliver his Bond(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified office of any of the Paying Agents specified below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.
   Bonds may be deposited until the time being 48 hours before the time fixed for holding the Meeting (or, if applicable, any adjournment of the Meeting) but not thereafter with any Paying Agent or (to the satisfaction of the Paying Agent) held to its order or under its control by the Operator of the Euroclear System or by CEDEL S.A., or any other person approved by it for the purpose of obtaining voting certificates or appointing proxies in respect of the Meeting. Bonds so deposited or held will not be released until the earlier of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.
2. The quorum required at the Meeting for passing the Extraordinary Resolution (the "Resolution") set out above is two or more persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate a clear majority in principal amount of the Bonds for the time being outstanding. If within 15 minutes from the time appointed for the Meeting a quorum for the passing of the Resolution is not present at the Meeting, the Meeting will stand adjourned (for such period, not being less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting and approved by the Trustee) and the Resolution will be considered at that adjourned Meeting (notice of which will be given to the Bondholders). The quorum required to consider the Resolution at an adjourned Meeting will be two or more persons present holding Bonds or voting certificates or being proxies or representatives (whatever the principal amount of the Bonds so held or represented by them).
3. Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or the Issuer or by two or more persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-fiftieth part of the principal amount of the Bonds then outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy or representative shall have one vote. On a poll every person who is so present shall have one vote in respect of each £1,000 in principal amount of the Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy or representative.
4. To be passed, the Resolution requires a majority in favour consisting of not less than three-fourths of the votes cast thereon. If passed, the Resolution will be binding upon all the Bondholders, whether or not present at the Meeting and whether or not voting, and upon all the holders of coupons relating to the Bonds.

AVAILABILITY OF DOCUMENTS

Copies of the Trust Deed may be inspected, and copies of the Information Memorandum, voting certificates and other documents referred to above may be obtained, by Bondholders from the specified office of any of the Paying Agents given below.

PRINCIPAL PAYING AGENT
Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE.

PAYING AGENTS
Swiss Bank Corporation, 1 Aeschenvorstadt, CH-4002 Basle.
Bankers Trust Luxembourg S.A., 14 Boulevard F.D. Roosevelt, L-2450 Luxembourg.

Dated 6th June, 1990 — Bond Finance (Exchangeables) Limited

This Notice has been approved by an authorised person for the purposes of the Financial Services Act 1986.

THIS NOTICE IS IMPORTANT. IF BONDHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE THEY SHOULD CONSULT THEIR STOCKBROKER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

Notice of a Meeting of the Holders of

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£125,000,000 6 per cent.
Guaranteed Exchangeable Bonds due 1998
Exchangeable into Ordinary Shares of Allied-Lyons PLC
and guaranteed on a subordinated basis by

Bond Corporation Holdings Limited
(the "Guarantor")

NOTICE IS HEREBY GIVEN that a Meeting of the holders (the "Bondholders") of the above-mentioned Bonds (the "Bonds") constituted by a Trust Deed dated 30th March, 1988 (the "Trust Deed") and made between the Issuer, the Guarantor and Bankers Trustee Company Limited (the "Trustee") will be held at 12.00 noon (London time), on 28th June, 1990 at 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW for the purpose of considering and, if thought fit, passing the following Extraordinary Resolution:–

EXTRAORDINARY RESOLUTION

THAT this meeting of the holders of the £125,000,000 6 per cent. Guaranteed Exchangeable Bonds due 1998 (the "Bonds") of Bond Finance (Europe) Limited (the "Issuer"), exchangeable into Ordinary Shares of Allied-Lyons PLC and guaranteed on a subordinated basis by Bond Corporation Holdings Limited (the "Guarantor"), constituted by a Trust Deed (the "Trust Deed") dated 30th March, 1988 and made between the Issuer, the Guarantor and Bankers Trustee Company Limited (the "Trustee"), hereby:–

(i) waives and authorises any breach or proposed breach by the Issuer or the Guarantor of the covenant by the Guarantor contained in Clause 19(C) (iii) of the Trust Deed that may arise as a result of the sale by the Guarantor of 50 per cent. of the issued ordinary share capital and all of the issued preference share capital of Bond Brewing Holdings Limited ("BBH") to Manchar Holdings Pty. Ltd., a wholly owned subsidiary of Bell Resources Limited, on the terms more particularly set out in the Information Memorandum dated 6th June, 1990 prepared by the Guarantor and produced to this Meeting (a copy of which has been initialled for identification by the Chairman of the Meeting) (or such terms as from time to time modified or amended (including by way of novation to a different purchaser of the agreement relating to such sale) provided that the Guarantor shall have procured that its auditors for the time being shall have certified to the Trustee in form and manner acceptable to the Trustee that any such modification or amendment or novation shall have no greater impact on the ability of BBH or any of its subsidiaries to make payments or otherwise to make amounts available to the Guarantor than the terms of the proposed sale more particularly described in the Information Memorandum and shall not include any material change in the purchase price of such sale);

(ii) sanctions every abrogation, modification, variation, compromise or arrangement in respect of the rights of the holders of the Bonds and the coupons relating to the Bonds against the Issuer or the Guarantor involved in or resulting from the breach or proposed breach referred to in paragraph (i) of this Resolution; and

(iii) authorises the Issuer, the Guarantor and the Trustee to concur in, execute or do any document, act or thing necessary to give effect to this Extraordinary Resolution and authorises the Trustee to provide any formal consent or approval necessary to enable the sale as referred to in (i) above to proceed.

This Meeting is convened by the Issuer.

Copies of the information memorandum (the "Information Memorandum") referred to in the Extraordinary Resolution set out above and which sets out details of the background to, and reasons for, the proposed arrangements and the Extraordinary Resolution will be available for collection by Bondholders at the specified offices of the Paying Agents for the Bonds set out below on and after 6th June, 1990 and at the Meeting itself. A Bondholder will be required to produce evidence satisfactory to the relevant Paying Agent as to his status as a Bondholder before being permitted to collect a copy of the Information Memorandum from the offices of that Paying Agent.

The attention of Bondholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed arrangements.

VOTING AND QUORUM

1. A Bondholder wishing to attend and vote at the Meeting in person must produce at the Meeting either his Bond(s), or a valid voting certificate or valid voting certificates issued by a Paying Agent relative to the Bond(s), in respect of which he wishes to vote.
   A holder of Bonds not wishing to attend and vote at the Meeting in person may either deliver his Bond(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified office of any of the Paying Agents specified below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.
   Bonds may be deposited until the time being 48 hours before the time fixed for holding the Meeting (or, if applicable, any adjournment of the Meeting) but not thereafter with any Paying Agent or (to the satisfaction of the Paying Agent) held to its order or under its control by the Operator of the Euroclear System or by CEDEL S.A., or any other person approved by it for the purpose of obtaining voting certificates or appointing proxies in respect of the Meeting. Bonds so deposited or held will not be released until the earlier of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.
2. The quorum required at the Meeting for passing the Extraordinary Resolution (the "Resolution") set out above is two or more persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate a clear majority in principal amount of the Bonds for the time being outstanding. If within 15 minutes from the time appointed for the Meeting a quorum for the passing of the Resolution is not present at the Meeting, the Meeting will stand adjourned (for such period, not being less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting and approved by the Trustee) and the Resolution will be considered at that adjourned Meeting (notice of which will be given to the Bondholders). The quorum required to consider the Resolution at an adjourned Meeting will be two or more persons present holding Bonds or voting certificates or being proxies or representatives (whatever the principal amount of the Bonds so held or represented by them).
3. Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or the Issuer or by two or more persons present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-fiftieth part of the principal amount of the Bonds then outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy or representative shall have one vote. On a poll every person who is so present shall have one vote in respect of each £1,000 in principal amount of the Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy or representative.
4. To be passed, the Resolution requires a majority in favour consisting of not less than three-fourths of the votes cast thereon. If passed, the Resolution will be binding upon all the Bondholders, whether or not present at the Meeting and whether or not voting, and upon all the holders of coupons relating to the Bonds.

AVAILABILITY OF DOCUMENTS

Copies of the Trust Deed may be inspected, and copies of the Information Memorandum, voting certificates and other documents referred to above may be obtained, by Bondholders from the specified office of any of the Paying Agents given below.

PRINCIPAL PAYING AGENT
Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE.

PAYING AGENTS
Swiss Bank Corporation, 1 Aeschenvorstadt, CH-4002 Basle.
Banque Indosuez Luxembourg, 39 Allee Scheffer, L 200 Luxembourg.

Dated 6th June, 1990 — Bond Finance (Europe) Limited

This Notice has been approved by an authorised person for the purposes of the Financial Services Act 1986.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

New Zealand

US $ 250,000,000
Floating Rate Notes due 1996

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the interest period from June 6,1990 to December 6,1990 the Notes will carry an interest rate of 8⅜ % p.a.

The interest payable on the relevant interest payment date, December 6,1990 against coupon n°9 will be US $ 425.73 per Note of US $ 10,000 nominal and US $ 4,257.29 per Note of US $ 100,000 nominal.

The Reference Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

Standard Chartered

Standard Chartered PLC
(Incorporated with limited liability in England)

US$400,000,000 Undated Primary Capital Floating Rate Notes (Series 3)

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 6th June, 1990 to 6th December, 1990, the Notes will carry interest at the rate of 8.525 per cent. per annum. Interest payable on 6th December, 1990 will amount to US$433.35 per US$10,000 Note and US$10,833.85 per US$250,000 Note.

Chartered WestLB Limited
Agent Bank

UK COMPANY NEWS

Breaking ties for a stronger link

Patrick Cockburn on the Willis Faber/Corroon & Black merger

THE 1980s saw most large British and US insurance brokers forge trans-Atlantic links. The US brokers wanted access to the London insurance market and the UK companies needed to do business in the US, which generates 50 per cent of the world's insurance premiums.

Propelled by this logic almost every year over the last decade saw the announcement of a takeover. In 1980 Marsh & McLennan, the largest US broker, bought CT Bowring in London and in 1985 Sedgwick Group, the biggest UK broker, bought Fred S James for its US retail business in 1985.

But of all the link-ups, this week's £1.1bn merger between Willis Faber of the UK and Corroon & Black of the US to create the world's fourth largest broker looks the most inspired.

It has the advantage that the two companies have traditionally operated within their own domestic markets with little overlap. As a result, says Mr Roger Elliott, chairman of Willis Faber, the merger does not mean there will be two people jockeying for every job – as happened when Willis acquired Stewart Wrightson, the UK retail broker, in 1987.

Moreover the merger means that Willis has not spent any money on its expansion. Both the Stewart Wrightson acquisition and Sedgwick's takeover of Fred S James were subsequently criticised for being too expensive.

As a result the new group, to be called Willis Corroon, will start the 1990s with money to spend on expansion at a moment when opportunities are likely to arise as the world insurance market enters a period of radical change.

The disadvantage for Willis is that the merger means the end of its long-standing links with foreign retail brokers. Traditionally Johnson & Higgins, the US broker, has supplied Willis with US retail business into London.

In Europe Willis has been more dependent on UNISON, the confederation of brokers designed to service multinational companies, whose future now looks extremely shaky in the wake of the Willis Faber move.

But from the point of view of Willis the relationship with both Johnson & Higgins and UNISON had clearly become a straitjacket preventing it from developing outside the UK.

This it badly needs to do. The 1980s were not kind to UK insurance brokers. The beginning of the decade saw the collapse of the old cartel whereby UK brokers controlled access into the Lloyd's insurance market. US brokers brought their business to London and then passed it on to their UK counterparts.

As US brokers bought up UK brokers for access to the London insurance market the old system collapsed. UK brokers responded by trying to increase their access to retail business in the US. By the late 1980s almost all the big brokers had become truly Anglo-American companies with a foot on either side of the Atlantic in a way that is not true of any other financial institutions.

The problem for the brokers is that despite these measures the insurance industry is changing in a way which presents them with more threats than opportunities. Competition between brokers has increased. US companies increasingly employ risk managers and their own captive insurance companies to reduce the overall cost of insurance.

As companies seek to control their insurance costs the role of the broker is reduced. According to Mr Dick Page, the chairman of Sedgwick James, the international retail broking arm of Sedgwick, "when prices are high they retreat to their captives. When they are low they go to the market."

Insurance brokers themselves can make money out of this as advisers on risk management. But profits in the US are also being squeezed by the general overcapacity in the insurance market which is keeping premiums low despite Hurricane Hugo and other disasters.

On the other hand if premium rates do strengthen in 1991 Willis Corroon, with 65 per cent of its income in the US, will be in a good position to benefit.

More interesting, however, will be the opportunities which may arise for brokers in Europe as large commercial risks are opened up for international competition. The very biggest companies may already arrange their insurance on a multinational basis but medium-sized companies are now likely to be offered a wider range of carriers by brokers.

Conventional wisdom in the insurance industry holds that the 1990s will be the decade of the 'mega-brokers' with four or five companies coming out on top. Smaller companies will look for niche markets and medium-sized brokers with nothing to distinguish them will be squeezed.

This picture may be a little too neat. As European insurance companies grow in size and international spread they may be able to reduce the role of the broker. But for brokers the overall advantages of size are impressive, if only as a way of spreading the risk as traditional markets become more competitive.

Without this week's merger Willis Faber, dependent on foreign retail brokers for channelling business into London, looked vulnerable to changes in the insurance market to which it could not respond. By combining with Corroon & Black the company now looks much better positioned to sustain the strains of the 1990s as one of the main players.

TRANSATLANTIC BROKING LINK-UPS

	US	UK
1980	Marsh & McLennan	CT Bowring
1981	Frank B Hall	Leslie & Godwin
1982	Alexander & Alexander	Alexander Howden
1982	St Paul	Minet
1985	Fred S James	Sedgwick
1989	Rollins Burdick & Hunter	Nicholson Chamberlain
1989	Citicorp	Nelson Hurst & Marsh
1990	Marsh & McLennan	Gradmann & Holler
1990	Corroon & Black	Willis Faber

Sturge chief expects to hold £31m profit

By Patrick Cockburn

MR DAVID Coleridge, chairman of Sturge Holdings, the Lloyd's of London underwriting agency, forecast that pre-tax profits for the year to September 30, 1990 will be at last year's level of £31.2m.

The forecast reflects the results of the Lloyd's 1987 underwriting year of account which Mr Coleridge described as generally good although the results of some underwriting syndicates had fallen below expectations.

He added that it was generally recognised that Lloyd's results for the 1988 and 1989 underwriting years would be disappointing. These would be reflected in Sturge's 1991 and 1992 profits, but the group's financial strength would be unaffected, he stated.

For the current year earnings per share were expected to exceed 37p per share compared with 36.8p last year.

The forecast came as Sturge announced pre-tax profits up 19 per cent at £2.9m for the six months to 31 March, 1990 compared to £2.4m last year. The interim dividend was 5.5p per share (5p).

Results for the first six months of the year are not of indicative of the company's business because profit commission for the 1987 underwriting year is not received until the second half of the year.

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NatWest

Corporate Finance

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UK SHARE OWNERSHIP DISCLOSURE

On Friday June 1, provisions of the Companies Act 1989 came into force requiring an investor owning 3 per cent or more of a UK public company to declare this ownership. The previous level at which disclosure had to be made was 5 per cent. The Financial Times will be printing a summary of Stock Exchange announcements of disclosures of holdings of between 3 per cent and 5 per cent. Announcements in today's table include some made on Monday and those made yesterday for which space permits inclusion. Further tables will appear each day this week. Those announcements crowded out today will appear tomorrow.

KEY

The companies in which the stakes have been disclosed are shown in bold.

For each, the names of the investors are followed by the shares they hold, in thousands, and the percentage this represents of the company's total shares outstanding.

C Black
…wland Investment 80 (3.56%)
…Trust
Frederick Ronald Porter 1,464 (3.85%)
Rex Stanion 1,790 (4.68%)
…Electronic Products
…tish Airways 882 (3.40%)
…
…dential Assurance 6,005 (3.42%)
… Property Holdings
…n Life 1,612 (3.17%)
…worth
…n Life Assurance Society 985 (4.23%)
…t Group
…rdie Storeys 2,858 (3.95%)
…t Fisher Group
…k of New York 28,389 (4.47%)
…ardian Royal Exchange 28,327 (4.47%)
… Insurance Brokers
… Hambro Investment Management 475 (…3%)
…Andrew Trust 400 (4.07%)
…ogmorton USM Trust 300 (3.05%)
…merić
…ish Telecom 3,374 (3.27%)
… Office 2,249 (2.18%)
…roder Investment Management 3,846 (…2%)
…ican Trust
…ndard Life Assurance 3,633 (4.41%)
…y Billes
Per Arwidsson 1,406 (3.28%)
…yard
…t Group 2,295 (4.91%)
…llips & Drew Fund Management 1,804 (…7%)
…d Holographics
…C Pension Trust 589 (3.76%)
…onal Westminster Bank 473 (3.30%)
…r (A J) Holdings
…clays Bank 23,100 (3.42%)
… Life Assurance 725 (3.14%)
…y Group
…es Mcniell 4,204 (3.85%)
…nwort Benson Investment Management 4,545 (4.17%)
…ndard Life 4,025 (3.69%)
…ity Investments
… Backhouse 380 (3.86%)
…Smith Pension Trust 308 (3.10%)
…obiles of Distinction
…allianz Securities Corporation 1,800 (…%)

…Industries
…ich Union 44,688 (3.02%)
…ential Corporation 49,748 (3.36%)
…roup
…ish Widows Investment Management …3 (3.54%)
…ees of The Chandris (London) Holdings 15 (3.04%)
…e Investment Trust
…T (Pensions) 1,895 (1.10%)
… Assurance (Unit Linked Pensions) (…0.12%)
… (Charles)
…ish Mutual Assurance 4,848 (4.72%)
…morton Trust 3,221 (3.20%)
…
…ays Bank 868 (3.25%)
…al Investment Management 808 (…%)

Bellwinch
ECI Group - (4.10%)
Fairbriar - (4.71%)
Benson Crisps
Framlington Capital Trust 300 (4.00%)
PosTel Investment Management 336 (4.60%)
RX Pensions 300 (4.00%)
Save & Prosper 372 (4.90%)
Unichips Finance 360 (4.80%)
Birmingham Mint Group
Imperial Investments 698 (4.00%)
Selva Business 450 (3.18%)
Black (A & C)
Lowland Investment Company 50 (3.56%)
Blick
Chancellor Master & Scholars - Uni. Cambridge 700 (3.5%)
Blockleys
North British Canadial Investment 786 (3.07%)
Thomas James Barlow Wright 746 (3.04%)
Blue Circle Industries
British Rail Pension Trustee Co - (4.12%)
Bodycote International
Postel Investment Management 1,145 (4.54%)
Bowthorpe Holdings
Baillie Gifford 5,894 (3.76%)
British Borneo Petroleum Syndicate
C T Bowring 200 (4.44%)
Co-operative Insurance Society 200 (3.80%)
Sun Life Assurance Society 158 (3.51%)
British Empire Securities & General Trust
Equitable Life Assurance Society 6,423 (4.82%)
Brooks Service Group
Dundee & London Investment Trust 510 (4.37%)
Mr & Mrs J G Crisp 467 (4.00%)
Mr & Mrs J P Brooks 421 (3.61%)
Mr & Mrs R K Taylor 455 (3.90%)
Brown & Jackson
Guardian Royal Exchange 3,266 (3.03%)
Brown (N) Group
Prudential Group 1,848 (3.08%)
Bullers
Britannic Assurance & Invesco MIM 1,399 (3.42%)
Bulmer (H P) Holdings
Dr Richard B Bulmer 1,628 (3.10%)
Mr Nigel S D Bulmer 2,336 (4.50%)
Business Technology Group
Peter D Thomson 572 (3.84%)
Surigint 659 (4.43%)

C S C Investment Trust
Mars Security 81 (4.95%)
Capita Group
National Westminster Bank 6,781 (4.10%)
Capital & Regional Properties
Charterhouse Tilney 509 (4.19%)
Cardiff Property
Royal Exchange Trust 80 (3.10%)
Charles Baynes
Prolific Asset Management 3,271 (3.22%)
Chelsea Artisans
Kenneth P Clarke 65 (4.22%)
Christies International
Mr & Mrs A G Grimwade 600 (-%)
Mr J S Herbert 691 (-%)

Mrs Marietta Coleridge 760 (-%)
Trustees William Mostyn-Owen 1985 Settlement 720 (-%)
Trustees of The C P Coster Settlement 800 (-%)
Trustees of The J A Floyd Settlement 1,600 (-%)
Citywision
Tennessee Consolidated Retirement 4,460 (3.20%)
Clyde Petroleum
Globe Investment Trust 14,834 (4.53%)
Crest Nicholson
Legal & General 3,718 (4.86%)

De La Rue
Britannic Assurance 4,656 (3.31%)
Delaney Group
Mr Anil Puri 615 (3.61%)
Dowding & Mills
Confederation Life Group 3,404 (3.21%)
Scottish Investment Trust 3,930 (3.71%)
Dunedin Income Growth Investment Trust
General Accident Fire & Life Assurance Corp 1,287 (4.00%)

Elswick
Chase Nominees 6,193 (3.17%)
The New Throgmorton Trust 8,000 (4.10%)
The Throgmorton Trust 7,000 (3.58%)
Essex Holdings
Roger Yates 34 (0.36%)
European Home Products
Bank of Scotland Nominees 2,751 (3.33%)

F & C Pacific Investment Trust
Royal Insurance 4,209 (3.69%)
FII Group
The Throgmorton Trust 743 (5.39%)
FKI
British Rail Pension Trustee Company 16,665 (3.54%)
Fife Indmar
Mars U K Pension Fund 398 (3.77%)
Fobel International
Mars UK Pension Fund 498 (4.67%)
Foreign & Colonial Investment Trust
Postal Investment Management 20,780 (4.00%)
Galliford
Standard Life Assurance Company 3,544 (4.40%)
Glaxo Holdings
Prudential Portfolio Managers 67,607 (4.83%)
Graham Wood
Eagle Star Insurance 187 (3.80%)
Equitable Life Assurance Society 165 (4.20%)
F & C Nominees 125 (3.20%)
Holborn Bars Nominees 125 (3.20%)
Norwich Union Pensions Management 125 (3.20%)
Royal Exchange Trustee Nominees 160 (4.10%)
WGTC Nominees 125 (3.20%)
William Hayden 137 (3.50%)
Greenwich Resources
Scottish Amicable Investment Managers 1,315 (3.49%)
Guardian Royal Exchange
Prudential Corporation 38,930 (4.18%)

H Young Holdings
State Street London 3,879 (3.22%)
HTV Group
Abbey Life 2,549 (3.41%)
Hall Engineering (Holdings)
Orton Meadowlands Investments (3.77%)
Hampson Industries
Bank of Scotland Group 2,280 (4.19%)
Hanson
Prudential Corporation 172,189 (3.59%)
Henry Boot & Sons
British Aerospace 178 (3.20%)
Hepworth
Prudential Corporation 9,889 (4.66%)
Hoverbill Group
Gartmore 5,389 (7.10%)
Video Store Group 3,353 (4.40%)
Hornby Group
Framlington Group 305 (3.75%)
National Westminster Bank 380 (4.66%)
Howe Group
Mr & Mrs J Aldridge 1,592 (3.90%)
Mr & Mrs W S Chapayed 1,306 (3.20%)
Inchcape
Toyota Motor Corporation - (4.70%)
Isle of Man Steam Packet Company
Royal Trust Asset Management 784 (4.89%)
Isotron
W H Smith Pension Trust 408 (3.24%)
Jackson Group
A E Chilton 1,001 (4.67%)
Framlington Group 1,040 (4.84%)
Norwich Union Fund Management 808 (3.76%)
P A Green 1,009 (4.66%)
James Finlay
Provident Mutual 4,630 (4.67%)

Kelsey Industries
Imperial Group 120 (3.91%)
Mrs J M Moss 95 (3.08%)
Mrs S G Shoop 109 (3.58%)
Kleinwort
NatWest Investment Bank 3,859 (4.80%)
Kunick
Abbey Life 6,898 (3.61%)
Gartmore 6,840 (3.61%)

LEP
Gartmore 5,371 (3.94%)
Land Securities
Scottish Widows Group 19,342 (-%)
Law Debenture Corporation
Equitable Life 785 (3.19%)
Merchant Navy Ratings Pension Fund 1,020 (4.50%)
Leeds Group
E W M Investments 400 (3.75%)
Leveraged Opportunity
Royal Insurance 250 (3.33%)
Lex Service
Gartmore 5,672 (3.33%)
London & Metropolitan
Bank of England 1,790 (3.15%)
London Finance & Investment
W T Lamb 900 (3.60%)
London Forfaiting
Prolific Asset Management 4,180 (4.15%)
London Scottish Bank
South Yorkshire Pensions Authority 1,898 (3.28%)
London and St. Lawrence
Frobridge Assets 704 (3.74%)
Low & Bonar
British Airways 3,320 (4.28%)
Tomkins 3,662 (4.72%)
Universities Superannuation Scheme 3,800 (4.90%)
Lowe Group
Frank Budge Lowe 893 (3.40%)
Geoffrey Howard-Spink 817 (3.15%)
Provident Mutual Managed Pension Funds 1,100 (4.24%)
Scottish Amicable Investment Managers 1,187 (4.57%)
Lowland Investment
Electric & General 347 (3.61%)
Lynx Holdings
C N I M Smaller Companies Fund 250 (4.48%)
Funds Under NatWest Investment 250 (4.48%)
R L M Staff Pension Trust 250 (4.48%)

M & G Dual Trust
Baillie Gifford 180 (3.06%)
MAI
Gartmore 11,404 (3.60%)
MacDonald Martin Distilleries
Bankscot British Pensions Nominees 100 (4.35%)
Barclays Nominees 78 (3.87%)
Miss SC MacDonald 78 (3.41%)
Refuge Group 82 (3.57%)
Trustees of Mr & Mrs R H Fitzgerald Wells 95 (4.14%)
Marina Development
Universities Superannuation Scheme 700 (4.33%)
Marling Industries
Si 1,051 (3.40%)
British Airways 1,355 (4.39%)
Marshalls
Ibstock Johnsen 3,900 (4.28%)
NFU Mutual Insurance Society 3,359 (3.68%)
Mellville
Abingworth 1,500 (3.83%)
Memec
Guardian Royal Exchange 1,105 (4.04%)
Mercury Asset
Mercury Asset Management 2,683 (3.84%)
Metal Bulletin
State Street London 305 (3.49%)
Metalrax Group
Britannic Assurance 2,422 (4.10%)
Sun Alliance 2,057 (3.50%)
Moben
Scottish Mutual 545 (3.58%)
Monument Oil & Gas
Prudential Corporation 21,002 (4.37%)
Murray Smaller Markets Trust
Pearl Group 2,598 (4.65%)
Standard Life Assurance 2,558 (4.58%)
Mustering Group
State Street London 421 (4.42%)

NMC Group
Natwest Investment Bank 1,265 (3.21%)
National Westminster Bank
Prudential 51,995 (3.26%)
Sheafbank Property Trust 776 (4.59%)
Neotronics Technology
Barclays Bank 945 (3.67%)
New Cavendish Estates
Bank of England Pension Fund 650 (%)
Next
Scottish Amicable Investment Managers 14,491 (3.80%)
Nichols (JN) (Vimto)
Framlington Group 732 (-%)

Norwich Union Life Insurance Society 797 (-%)
Novarus
Legal & General Investment Management 5,957 (4.40%)
Norfolk House
Mr Stephen Best 1,316 (3.57%)
Normans Group
National Westminster Bank 2,213 (3.34%)
Northumbrian Fine Foods
Friends Provident 296 (3.15%)

Oceana Consolidated
M D Barnard & Co 364 (4.80%)
Mr J S Murdoch 320 (4.06%)
Royal Heritage Life 357 (4.56%)
Oceonics Group
Caledonia Investments (3.92%)
Optical and Medical International
Nutraco Nominees 1,608 (3.62%)

PWS Holdings
Malcolm Everard MacLaren Pearson 1,749 (5.81%)
Municipal General Insurance 1,312 (4.30%)
Pentlds Group
Schroder Investment Management 2,885 (3.33%)
Scottish Amicable Investment Managers 3,080 (3.44%)
Perkfield Group
Gartmore Investment Management 2,486 (4.61%)
Pendragon
Royal Insurance Asset Management 784 (3.82%)
Schroder Investment Management 948 (4.74%)

Perkins Foods
Friends Provident (4.29%)
Pilkington
Abu Dhabi Investment Authority (3.34%)
Pochin's
Mrs J M Lanni 37 (3.00%)
Porter Chadburn
Natwest Investment Bank 1,835 (3.14%)
The Scottish Mutual Assurance Society 1,787 (3.02%)
Practical Investment Company
Mim 946 (4.72%)
Pressac Holdings
Postel Investment Management 780 (4.88%)
Royal Exchange Trust 770 (4.81%)
Property Investment Trust
NatWest Investment Bank 10,574 (4.12%)
Prudential Portfolio
Prudential Corporation 8,101 (6.53%)
Pulon
Prolific Financial Management 582 (3.01%)
REA Holdings
Natwest Investment Bank 225 (3.56%)
RPS Group
Rolls-Royce Pension Fund 488 (3.51%)
Regal Electronics
Prudential Corporation 40,341 (3.11%)
Ramco Oil Services
Equity and Law 618 (3.65%)
Record Holdings
Baillie Gifford 800 (3.18%)
Bank of Scotland 1,245 (4.70%)
Eagle Star Insurance 968 (3.70%)

Relyon Group
DRG Pension Fund 700 (4.45%)
Royal Exchange Trust 500 (3.18%)
Resort Hotels
NatWest Investment Bank 6,500 (4.10%)
Robert Philip Feld 6,259 (3.62%)
Scottish Amicable Investment Managers 7,807 (3.77%)
Richardson Westgarth
Mr G F J Armstrong 1,183 (4.60%)
Prudential Corporation 852 (3.30%)
Westman Nominees 900 (3.50%)
Richmond Oil & Gas
Globe Investment Trust 3,145 (4.84%)
River & Mercantile Extra Income Trust
Lloyds Bank Nominees 1,046 (3.49%)
River & Mercantile Geared Capital & Income Trust
Sun Life Assurance Society 512 (3.66%)
River & Mercantile Trust
Gartmore Investment Management 2,925 (4.84%)
Rostel
Barclays Nominees (MG Group) 850 (-%)
Britannic Assurance 600 (-%)
Malcolm Bowers 536 (-%)
Morgan Grenfell Group 520 (-%)
Peter Arthur Lovell 761 (-%)
Roger David Harris 855 (-%)
Simon Blakiding 8,121 (-%)
Rothschild (J) Holdings
Pearl Group 13,644 (4.80%)
Rowe Evans Investments
F & C Pacific Investment Trust 1,700 (3.75%)
Royal Insurance Holdings
Guardian Royal Exchange 19,302 (4.84%)

Sanderson Electronics
Morgan Grenfell 320 (3.81%)
NatWest Investment Bank 390 (4.64%)
Royal Exchange Trust 340 (4.05%)
Savage Group
Abbey Life 1,142 (3.00%)
Save & Prosper
MIM & Invesco MIM 744 (4.13%)
Scottish Investment Trust
Postel 9,052 (3.50%)
Scottish Mortgage & Trust
D.C. Thomson 14,454 (4.01%)
Scottish National Trust
Credit Suisse 6,477 (4.06%)
Pilkington 2,000 (3.13%)
Scottish Widows 6,400 (4.01%)
Secure Trust Group
Prudential Assurance 668 (4.70%)
Severn Trent Water
Compagnie Generale des Eaux 14,298 (4.04%)
Shandwick
BBC 2,619 (3.14%)
Sheafbank Property Trust
National Westminster Bank 775 (4.59%)
Sheraton Securities International
Scottish Mutual 4,158 (3.04%)
Sherwood Computer Services
DRG Pension Fund 240 (4.67%)
Prolific Asset Management 227 (4.42%)
Rolls-Royce Pension Fund 208 (4.04%)
Silentnight Holdings
M & G Pensions & Annuity 1,800 (3.87%)
Scottish Amicable Investment Managers 1,879 (4.12%)
Sinclair (William) Holdings
Govett Strategic Investment Trust 636 (3.97%)
Prudential Corporation 873 (4.45%)
Singer & Friedlander Group
BBC Pension Fund 11,025 (4.93%)
Sirdar
M & G Group 1,710 (3.20%)
Smiths Industries
Scottish Widows Group 10,400 (3.67%)
Smurfit (Jefferson) Group
AIB Investment Nominees 6,686 (3.30%)
Stat-Plus Group
Lloyds Bank Nominees 732 (3.40%)
Steel Burrill Jones Group
Scottish Amicable Nominees 1,118 (3.80%)
W S C Richards 990 (3.40%)
Stoddard Sekers International
Scottish Investment Trust 1,690 (0.08%)
Storehouse
Gulf Resources 14,850 (3.62%)
Prudential Portfolio Managers 12,733 (3.10%)
Strata Investments
Cazenove & Co 478 (3.12%)
Equitable Life Assurance Society 668 (4.30%)
Sutcliffe Speakman
Gartmore Investment Management 980 (4.39%)
TR Far East Income Trust
Pilkington Pension Funds 2,300 (4.88%)
Tate & Lyle
Prudential Corporation 12,390 (3.87%)
Taylor Woodrow
Schroder Investment Management 13,870 (4.20%)
Technology Project Services
Cazenove and Co 210 (4.38%)
Templeton Emerging Markets Investment Trust
Imperial Chemicals Staff/Workers' Pension Fnd745 (4.97%)
Throgmorton Dual Trust
NatWest Claro Nominees 172 (4.98%)
Priplan Investments 115 (3.29%)
Tilbury Group
M & G Group 669 (3.24%)
Tops Estates
British Aerospace Pension Funds 2,290 (4.99%)
Friends Provident Group 1,487 (3.19%)
NatWest Investment Bank 1,488 (3.24%)
Torday & Carlisle
British Coal Pension Funds 680 (4.27%)
Tottenham Hotspur
Prolific Asset Management 435 (4.27%)
Trace
Southwind 330 (3.35%)
Trafford Park Estates
Sir Neil Westbrook 2,081 (3.07%)
Trans World Communications
British Airways Pension Fund 5,030 (4.59%)
Trustees Corporation
Scottish Widows 5,539 (3.11%)
Trusthouse Forte
Mr E Hartwell 30,295 (3.60%)
Mr G F L Proctor 27,103 (3.40%)

Mr R J V Forte 28,721 (3.60%)
Turriff Corporation
Australian Mutual Provident Society 376 (4.71%)
D G Evans 240 (3.01%)

Overproduction sends oil prices to 18-month low

By Richard Mooney

OIL PRICES fell to the lowest level since December 1988 yesterday after the Paris-based International Energy Agency released figures supporting earlier suggestions that output cuts by members of the Organisation of Petroleum Exporting Countries were falling well short of levels agreed last month.

In its Monthly Oil Market Report, the IEA estimated Opec crude oil output in May at 23.4m barrels a day, 400,000 b/d below the April level.

However the cartel's members had pledged cuts totalling 1.45m b/d and at the time the April production level had been estimated at only 23.5m b/d. The agency said the April estimate had been revised up to 23.8m b/d because of an unanticipated surge in liftings of Iraqi and Iranian crude.

Both those countries raised liftings by a further 100,000 b/d to 3.1m b/d each in May.

May's production fall was entirely attributable to Saudi Arabia's reduction to 5.3m b/d. The United Arab Emirates was estimated to have reduced output by about 100,000 b/d while Indonesia, Nigeria and Gabon also registered modest cuts but these were cancelled out by increases elsewhere.

The IEA estimated Kuwait's May production at an unchanged 1.85m b/d.

The IEA's assessment follows one issued on Monday by the New York-based Petroleum Intelligence Weekly putting the May total at 23.5m b/d, down 310,000 b/d from April. PIW's figures agreed with the IEA's for Iraq, Iran and Kuwait but it put Saudi Arabia's at 5.35m b/d, down 450,000 b/d.

Also on Monday Reuters published the results of a survey suggesting a May figure of 23.22m b/d and the news agency said yesterday that the main difference in the IEA report was a 100,000 b/d higher figure for Saudi liftings.

The growing consensus that Opec production cuts were not biting nearly hard enough helped to push down the price of North Sea Brent crude another 62½ cents yesterday to $15.62½ a barrel for July delivery, an 18-month low.

Analysts also suggested that refiners might be less willing now to maintain high stock levels in view of deteriorating refining margins.

Mr Mark Fletcher of Barclays de Zoete Wedd Research said: "Good margins meant that refiners were happy to build up stocks and that helped to cushion the pressure of Opec overproduction." But crude storage capacity was nearly full while products inventory was building up, he said, suggesting that resulting pressure on refining margins could encourage de-stocking of crude.

Discord over Quintette's performance

Bernard Simon reports on the troubles surrounding a Canadian coal export project

FAR FROM settling the future of one of the world's most ambitious coal export projects, an arbitrators' report two years in the making appears to have brought fresh uncertainty to the troubled Quintette mine in north-east British Colombia.

The three-man arbitration panel, set up to adjudicate a price dispute between the seven year-old mine and its Japanese customers, has given each side a little, but not all, of what it was asking.

The Japanese receive substantial price relief over the remaining year of their contract with Quintette, plus a C$46m (£23m) reimbursement for earlier overpayments. The mine has the satisfaction of receiving prices for the four years in dispute – 1987 to 1990 – well above world market levels but not high enough to cover operating and debt-servicing costs, as well as provide for future capital investment.

This delicate balance means that the future of Quintette depends on yet another series of negotiations between shareholders, customers and the international consortium of 56 banks to which the mine owes C$638m. There is also a new player in the equation, a little-known company headed by two Australian entrepreneurs that is seeking to buy a substantial stake in Quintette and develop a nearby deposit.

To complicate matters further, little love is lost after *years of legal wrangling and* personal friction between the two central parties – the group of 10 Japanese steel mills which buys Quintette's entire output and Denison Mines of Toronto which manages the mine and owns 50 per cent of its equity.

The relationship between Denison and the Japanese has been strained further by Quintette's decision to appeal against the arbitrators' findings to the British Columbia Supreme Court. Quintette contends that the panel went beyond its mandate in setting prices for four years, instead of only one.

QUINTETTE'S PRICES (C$ a tonne – Year starting April 1)	1990	1989	1988	1987
Price received	102.90	99.69	98.47	95.30
Price set by arbitrators	94.90	93.69	95.47	95.30
Fully escalated price*	111.40	108.19	106.97	103.80

July 1, 1990: Price drops by C$10.50 a tonne, depending on cost formula.
October 1, 1990: Price drops by C$1, depending on cost formula.
January 1, 1991: Price drops by C$1 to about C$82.40
*If prices had been increased according to Quintette's costs as agreed in 1981 contract

Quintette was born in the late 1970s during what the arbitration panel calls "the anxious concern of the Japanese in the days of 'coal fever'." Development of the north-east British Columbia coalfield was designed to lower the Japanese steel industry's dependence on labour-troubled Australia.

The banks lent Quintette C$950m. In their eagerness to open up a remote part of the country, the Canadian and British Columbia Governments chipped in another C$1.3bn for a 81-mile railway branch line and a new shipping terminal on the coast, 620 miles from the coalfield.

The purchase agreement with the Japanese mills provided for shipment of 5m *tonnes of metallurgical coal a* year until March 1998 at prices well above those being paid to other Canadian suppliers.

Since it started shipping coal in late 1983, Quintette has been plagued by financial and technical problems. On the financial side, it has been squeezed between unusually high costs and radical changes in the metallurgical coal market, including *substitution of lower-grade* material in steel-making and the unexpectedly slow growth in Japanese steel output. To make matters worse, early plans to ship 1.3m tonnes a year of lower-grade thermal coal to Mitsui Mining and NKK have come to naught.

The mine has been forced to make one sacrifice after another. The Japanese exercised a right in 1986 to cut shipments by 5 per cent to 4.75m tonnes. A strike and bad weather brought production down to 4.2m tonnes last year. Prices were trimmed by $8.50 a tonne in 1985 and 1986.

Denison has written off its entire investment in the troubled project and the mine has failed to meet some obligations towards its lenders.

The arbitration panel was set up after Quintette and the mills failed to agree on prices for the contract year starting on April 1 1987. While the mine wanted a con*tract price of C$103.80 a tonne* the Japanese insisted on a market-related price of only C$57.85 a tonne and termination of the long-term master contract.

The arbitrators have set a price of C$94.90 a tonne for the first three months of the 1990 contract year, which started in April, falling to C$82.40 a tonne in the final quarter of the year. Outsiders expect that the latter price is roughly the level at which Quintette's next contract, to take effect in April 1991, will be negotiated.

Mr Geoff Carter, an analyst at Research Capital Corporation of Toronto, says: "The Japanese aren't going to get world prices, and the mine won't get contract prices."

Quintette's costs have always been a closely guarded secret. However Mr Carter, who has followed Quintette's fortunes for years, estimates that with prices per tonne in the low $80s, "you can continue to operate the mine so long as you're not putting more money into it."

The first step in trying to restore Quintette to financial health appears to be a restructuring, perhaps involving both debt and equity. In particular, pressure is mounting on Denison to withdraw from the project, thereby allowing a new big shareholder to make a fresh start with the disgruntled Japanese customers (who are also minority shareholders) and the banks. A total of 12 Japanese companies own 38 per cent of Quintette, with the remaining 12 per cent held by Charbonnages de France.

In recent months, the British Columbia Government has quietly given its backing to Canadian Coal, a company headed by two hitherto publicity-shy Australians – Mr Laith Reynolds and Mr Kerry Harmanis. *Subject* to a number of conditions, CC has agreed to pay Denison C$25m for a number of undeveloped coal properties, notably the Sukunka deposit close to Quintette. It also has a right of first refusal on Denison's Quintette stake.

Mr Reynolds, who spent 20 years working for the Dutch electronics group Philips and was more recently involved in restructuring copper and gold *mines around Butte, Montana,* says CC wants to develop Sukunka into a 2.25m tonnes-a-year underground mine.

With the infrastructure already in place, a mechanised operation and lower-ash coal than at Quintette, Mr Reynolds is confident that Sukunka can operate profitably even at present world prices.

CC is using London stockbroker James Capel's mining services division as consultant but Mr Reynolds declines to reveal the company's financial backers. He says they will be identified when a decision is made to go ahead with the Sukunka mine, optimistically in the next three months.

Speculation is that some of the coal now shipped from Quintette may be replaced by Sukunka (if it gets off the ground) and by the nearby Bullmoose export mine, which was built at the same time as Quintette but on a smaller *scale and with fewer subse*quent problems.

Most crucial to CC is that Quintette should survive in some form so that the local community of Tumbler Ridge, the railway to the coast and other infrastructure are maintained until Sukunka comes on stream. "All we want to see is stability in the north-east coalfields to allow us to bring Sukunka to production," Mr Reynolds says.

Given the large stake of government, the banks and the Japanese steel industry in the north-east coalfields, the chances of Quintette being allowed to go under seem small for the time being. By the same token, however, a consensus seems to be emerging that the time has come to try to make a fresh start.

Lead consumption rise forecast as east Europe demand grows

LEAD consumption, boosted by demand from eastern Europe and the newly industrialised countries, is likely to rise by an annual average of 3 per cent between 1990 and 1994, according to Mr Heinz Schimmelbusch, chairman of Metallgesellschaft, the West German metals and mining group.

That compared with a reduction in lead consumption between 1980 and 1984 and an average annual increase since then of 2.1 per cent, reports Reuter.

Mr Schimmelbusch, speaking at the tenth international lead conference in Nice, said that, while western world lead demand was expected to continue expanding only slowly, consumption in the newly industrialised countries had risen on average by 7.6 per cent a year between 1985 and 1989.

Per capita lead consumption in the newly industrialised countries and east European countries averaged 1.24 kg and 2.99 kg respectively in 1989 compared with 4.41 kg in the industrialised world, he said.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes		
Aluminium	−700	to 150,700
Copper	+850	to 77,275
Lead	+875	to 35,075
Nickel	+380	to 9,030
Zinc	+800	to 45,350
Tin	+180	to 12,105

Most of the extra demand would come from vehicle battery producers which account for 47.2 per cent of world lead consumption. Metallgesellschaft forecast that this would rise to 70.7 per cent by the year 2000, partly because bigger batteries would be needed to cope with the electricity requirements of modern cars.

Balancing this optimistic demand forecast, Mr Jean-Pierre Rodier of France's Metaleurop group, suggested many smaller lead smelters would have to close under pressure from more stringent environmental regulations.

This might not be enough to prevent lead being in over-supply and prices falling in the mid-1990s.

Over-supply would be caused partly by the rapid expansion of secondary (recycled) lead capacity, he said.

Mr Michael Mayer of the Lead Development Association said lead topped the list of environmentally friendly metals if the ability to recycle equated to being environmentally friendly.

About 2m tonnes of lead a year, or 49 per cent of total world output, was recycled – a level unrivalled by any other metal, he said. About 90 per cent of batteries in western Europe were recycled, which could include the re-usable plastic cases and the acid as well as the lead.

Mr Mayer said 75 per cent of lead was used in a form that was recyclable and most of the remaining 25 per cent was to be found in products such as glass and plastics where it was bound-up in a chemical matrix and could not be released.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,670-1,720 (1,710-1,760).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.90-3.40 (3.00-3.50).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 3.20-3.60 (3.50-3.80).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.95-8.35 (7.90-8.20).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 215-235 (215-240).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.85-2.90 (2.90-3.00).

SELENIUM: European free market, min 99.5 per cent, $ per lb, 5.30-5.80 (5.30-5.90).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 40-60 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 3.00-3.25 (3.40-3.60).

URANIUM: Nuexco exchange value, $ per lb, UO, 8.65 (same).

Malaysia predicts slower growth in palm oil output

By Lim Siong Hoon in Kuala Lumpur

MALAYSIA'S palm oil production is expected to flatten this year, with less than 3 per cent growth forecast compared with the 20 per cent rise reported last year.

The Palm Oil Research Institute of Malaysia has forecast output of 6.23m tonnes for the year against 6.05m tonnes last year.

The decline is attributed partly to falling yields from ageing trees and to cuts in fertiliser input by high cost growers most affected by the current low prices.

In the January-April period, the low-harvest season, production totalled 1.3m tonnes, marginally above the corresponding 1989 period. Stock levels have been falling, however, from more than 1m tonnes in January to 838,000 tonnes at end-April.

There were sharp falls in end-monthly crude palm oil stocks as opposed to processed palm oil, which usually accounts for a third of the total.

At end-April, crude palm oil stocks stood at 540,000 tonnes compared with 750,000 tonnes at end-January while stocks of processed palm oil rose to 297,000 tonnes from 254,000 tonnes.

Early this year, the Malaysian Government relaxed the stringent export tax structure on crude palm oil in order to deal with the big stockpile. It aims to cut the overall stock level to between 600,000 tonnes and 700,000 tonnes, or about 10 per cent of annual output.

Organic food market 'worth £120m a year'

By Bridget Bloom, Agriculture Correspondent

THE MARKET for organic food in Britain is worth £120m a year and could triple within the next three years, according to a survey by Safeway, the supermarket group.

Safeway, which has invested in an Edinburgh University research project on organic farming, says its survey shows that 13 per cent of British shoppers claim to buy organic produce regularly, while half of Britain's shoppers have bought such items at one time or another.

In spite of the growing demand, two thirds of supplies are imported. Average prices are 88 per cent above those for conventionally grown fruit and vegetables.

Cocoa prices recover as bargain hunters move in

By Richard Mooney

THE LONDON cocoa futures market decided enough was enough yesterday after the September position, which less than two weeks ago touched £1,008 a tonne, dipped to a nine-week low of £834 a tonne.

After the panic sellers came the bargain hunters and by the close the July price was up to £883 a tonne, a net gain of £15 on the day.

The fall reflected commission house and trade selling encouraged by continued talk that the Soviet Union would have to resell recent purchases on the world market because of its foreign credit crisis.

This came against a background of further easing in political tension in the Ivory Coast, the biggest producer, which had been the chief factor pushing prices to the recent peaks.

Dockers were reported to have postponed planned strike action at the Ivorian port of Abidjan after receiving assurances from the Government that their claims for better pay and working conditions were being examined.

Union leaders are to meet Cabinet ministers on June 20 and dockers say they may strike then if their demands are not met.

The Ivorian economy has been plagued in recent months by wildcat strikes which forced the Government to back down on planned pay cuts in the public sector. Army recruits, police, firemen and customs officers have been among the groups involved.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER PRICES came under renewed pressure on the London Metal Exchange yesterday with Monday's £45 rise in the cash position being all but wiped out. But while cash metal fell £40 to £1,564 a tonne the three months position was down only £19 at £1,490.50 a tonne, restoring the cash premium, or backwardation, to the level ruling at the end of last week. Traders said the three months price was expected to *remain within* the $2,460 to $2,520-a-tonne range in the absence of fresh factors. Yesterday's three months close was equivalent to $2,466 a tonne. The cash lead price also surrendered most of Monday's advance, falling £6.25 to £489 a tonne in a thin market. Cash aluminium's 5-day rise was brought to a halt with an $8 fall to $1,605 a tonne. Early in the day short-covering against Japanese buying interest had pushed the market higher but there was no follow-through. Early gains in sugar prices at the London Futures and Options Exchange were trimmed back when the New York market's opening tone failed to reflect the steadier mood. In the morning the London daily raws price had been fixed $6.60 higher at $332 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$13 35-3.50q	-.485
Brent Blend	$15.60-5.55q	-.625
W.T.I. (1 pm est)	$16 54-6.56q	-.78
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$220-223	-4.5
Gas Oil	$139-140	-5.5
Heavy Fuel Oil	$50-52	-10.0
Naphtha	$141-143	-6.0
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$358.50	+2.25
Silver (per troy oz)♣	509c	+5.00
Platinum (per troy oz)	$488.5	+4.5
Palladium (per troy oz)	$117.50	-0.25
Aluminium (free market)	$1605	-10.0
Copper (US Producer)	119.5c	+1.50
Lead (US Producer)	45c	
Nickel (free market)	380c	
Tin (Kuala Lumpur market)	16.04r	+0.23
Tin (New York)	293c	
Zinc (US Prime Western)	67½c	
Cattle (live weight)†	107.74p	+1.95*
Sheep (dead weight)†	170.44p	-21.0*
Pigs (live weight)†	105.71p	-5.39*
London daily sugar (raw)	$332.0v	+6.60
London daily sugar (white)	$428.6v	+5.00
Tate and Lyle export price	£311.0	+3.00
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£146.0	+0.5
Wheat (US Dark Northern)	£124.5	
Rubber (Jul)♥	55.50p	
Rubber (Aug)♥	56.00p	
Rubber (KL RSS No 1 Jun)	230.5m	+1.00
Coconut oil (Philippines)§	$350v	+5.00
Palm Oil (Malaysian)§	$275v	+5.00
Copra (Philippines)§	$230	+10.0
Soyabeans (US)	£157.5z	-3.00
Cotton "A" index	80.50c	
Wooltops (64s Super)	536p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-May/Jul. u-Oct/Dec v-Jun/Jul. w-Jun z-Jul/Aug y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)			
Raw	**Close**	**Previous**	**High/Low**
Aug	303 00	306.40	307.20 301.00
Oct	299 00	302.60	303.80 298.80
Dec	304.40	300 00	300 00 290.00
Mar	283.60	287.00	287.60 282.00
May	284 60	286 00	287.40 282.00
Aug	282.00	285.00	287.00 281.00
White	**Close**	**Previous**	**High/Low**
Aug	415.0	418.5	419 5 415.0
Oct	377 0	379 0	380.0 376 0
Dec	369 0	371.0	370.0 367.5
Mar	363 0	366.0	365.5 360.5
Aug	360 0	364 0	360.0 357.5

Turnover: Raw 3973 (2405)lots of 50 tonnes. White 1014 (751)
Paris- White (FFr per tonne): Aug 2378, Oct 2169, Dec 2118, Mar 2095, May 2090

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High/Low
Jul	15.65	16.11	16.80 15.58
Aug	16.18	16 55	16 25 16.10
Sep	16.68	17 05	16 66 16.59
IPE Index	16.22	16 35	

Turnover: 12612 (8222)

GAS OIL – IPE ($/tonne)	Latest	Previous	High/Low
Jun	138 50	142.25	140.50 138.00
Jul	139 00	142 25	140.75 137.50
Aug	141.75	144 50	142.50 140.00
Sep	144 50	148.50	145.75 143.25
Oct	148.00	151.00	149.25 146.75
Nov	150 00	153.00	151.00 149 00
Dec	152.00	154.75	153.00 150.50
Jan	152.00	155.00	153.00 150 75

Turnover 13358 (7003)lots of 100 tonnes

JUTE
June/July c and f Dundee BTC $550, BWC $560, BTD $525, BWD $540; c and f Antwerp BTC $535, BWC $535, BTD $505, BWD $500.
COTTON
Liverpool- Spot and shipment sales for the week commencing 28th May amounted to 100 tonnes, against 580 tonnes in the previous week. Slow trading persisted with dealings in East African varieties.

COCOA – London FOX (£/tonne)	Close	Previous	High/Low
Jul	855	840	857 814
Sep	863	868	883 834
Dec	907	890	907 855
Mar	925	905	926 874
May	940	920	942 891
Jul	954	937	958 910
Sep	970	952	956 926

Turnover: 12287 (8804) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 4 1040.84 (1080.66) 10 day average for Jun 5 1134.59 (1146.00)

COFFEE – London FOX (£/tonne)	Close	Previous	High/Low
Jul	640	630	642 630
Sep	655	647	655 645
Nov	669	660	669 660
Jan	682	674	680 676
Mar	695	689	695 690
May	710	705	710 709

turnover: 2360 (1441) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 5: Comp. daily 72.03 (72.22). 15 day average 73.62 (73.62)

POTATOES – BFE (£/tonne)	Close	Previous	High/Low
Nov	109.0	110.0	110.2 109.0
Apr	151.0	152.0	157.5 150.0

Turnover 314 (552) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)	Close	Previous	High/Low
Oct	118.00	118.00	118.00 117.00

Turnover 1110 (169) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)	Close	Previous	High/Low
Jun	1220	1235	1238 1220
Jul	1120	1129	1130 1120
Oct	1212	1208	1215 1210
Jan	1228	1225	1228 1220
Apr	1230	1235	1230 1225
BFI	1305	1302	

Turnover 187 (194)

GRAINS – BFE (£/tonne)			
Wheat	**Close**	**Previous**	**High/Low**
Jun	120.20	118.60	120.20 119.50
Sep	113.80	114.05	114.05 113.80
Nov	117.50	117.60	117.75 117.50
Jan	120.80	120.75	120.85 120.75
Mar	124.25	124.25	124.25 124.25
May	127.30	127.20	127.30
Barley	**Close**	**Previous**	**High/Low**
Sep	111.85	111.90	111.95
Nov	116.05	116.10	116.00 115.90

Turnover: Wheat 181 (96), Barley 81 (40). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg	Close	Previous	High/Low
Jun	137.0	137.0	136.0
Aug	122.5	122.5	121.5
Oct	124.0	124.0	123.0
Nov	121.0	120.5	120.0
Mar	115.0		112.0

Turnover 75 (46) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 10,531 lots	
Cash	1604-6	1612-4	1607/1605	1604-5		
3 months	1612-3	1617-8	1621/1612	1611-2	1618-9	48,459 lots
Copper, Grade A (£ per tonne)					Total daily turnover 11,186 lots	
Cash	1563-5	1603-5	1578/1565	1577-8		
3 months	1490-1	1509-10	1497/1489	1496-6.5	1494-5	80,816 lots
Lead (£ per tonne)					Total daily turnover 1,375 lots	
Cash	488-90	495-5.5	491.5/489	488-9		
3 months	490-1	493-3.5	495/489	490-1	491-2	10,004 lots
Nickel ($ per tonne)					Total daily turnover 1,609 lots	
Cash	8110-20	8200-25		8160-5		
3 months	8130-40	8225-40	8200/8130	8150-75	8130-50	8,244 lots
Tin ($ per tonne)					Total daily turnover 9,338 lots	
Cash	6230-60	6210-20	6230	6230-40		
3 months	6360-90	6340-5	6375/6355	6360-5	6366-60	5,900 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 4,343 lots	
Cash	1760-5	1765-70	1760/1755	1754-5		
3 months	1686-7	1690-3	1690/1678	1686-7	1685-7	19,268 lots

LME Closing £/$ rate: SPOT: 1.6825 3 months: 1.6540 6 months: 1.6264 9 months: 1.6055

LONDON BULLION MARKET Gold (fine oz)	$ price	£ equivalent
Close	358½-359	213-213½
Opening	357¼-358¼	212¾-213¼
Morning fix	357.85	213.031
Afternoon fix	358.10	213.028
Day's high	358½-359	
Day's low	357¼-357¼	

Coins	$ price	£ equivalent
Mapleleaf	367-372	218-221
Britannia	367-372	218-221
US Eagle	367-372	218-221
Angel	367-372	218-221
Krugerrand	357½-360½	212½-214½
New Sov.	84-86	50-51½
Old Sov.	84-86	50-51½
Noble Plat	492.35-500.15	293.50-298.15

Silver fix	p/fine oz	US cts equiv
Spot	300.85	505.00
3 months	312.15	515.30
6 months	323.55	526.05
12 months	345.65	548.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sep	July	Sep
1500	121	128	2	15
1600	43	63	22	47
1700	7	25	85	107

Copper (Grade A)	Calls		Puts	
2400	172	135	13	71
2500	99	86	39	120
2600	48	51	88	182

Coffee	Jul	Sep	Jul	Sep
600	45	72	5	18
650	14	42	24	38
700	3	24	63	70

Cocoa	Jul	Sep	Jul	Sep
800	58	102	3	19
850	22	66	17	35
900	5	44	50	61

Brent Crude	Jul	Aug	Jul	Aug
1650		34		
1700			138	
1750				

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Jun	359.6	358.6	360.7	359.1
Jul	361.2	360.0	0	0
Aug	363.6	362.4	364.5	361.6
Oct	368.1	366.9	368.9	366.5
Dec	372.8	371.5	373.6	370.8
Feb	377.3	376.0	376.1	376.0
Apr	381.7	380.4	380.8	380.0
Jun	386.5	385.2	385.3	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Jul	492.5	488.8	497.0	487.0
Oct	498.5	492.3	502.5	493.0
Jan	502.0	496.0	502.0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Jun	506.5	504.9	0	0
Jul	509.6	508.2	512.0	506.5
Aug	513.6	512.2	0	0
Sep	517.8	516.3	520.0	514.5
Dec	529.1	527.6	531.5	526.0
Jan	532.6	531.1	0	0
Mar	539.9	538.4	541.0	540.0
May	547.6	546.2	548.0	546.5
Jul	555.3	554.0	555.0	555.0
Sep	563.5	562.3	557.0	563.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Jun	117.10	114.20	117.40	113.60
Jul	113.10	111.15	113.80	110.20
Aug	110.50	108.90	110.60	108.60
Sep	108.50	106.80	109.00	106.20
Oct	107.00	105.40	0	0
Nov	105.60	104.00	0	0
Dec	104.10	102.60	104.50	102.20
Jan	102.65	101.40	0	0
Mar	100.20	98.80	0	99.10
Apr	99.55	98.20	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Jul	16.71	17.14	16.78	16.42
Aug	17.37	17.77	17.45	17.15
Sep	17.83	18.26	17.98	17.67
Oct	18.35	18.76	18.50	18.18
Jan	19.15	19.58	19.33	19.00
Mar	19.24	19.69	19.48	19.19
Apr	19.43	19.74	19.55	19.30

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Jul	4700	4759	4710	4630
Nov	5215	5295	5230	5165
Dec	5325	5410	5350	5300
Jan	5395	5480	5450	5380
Feb	5374	5445	5400	5370
Mar	5245	5275	5300	5210
Apr	5100	5125	5140	5100

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Jul	1351	1317	1358	1275
Sep	1374	1341	1380	1305
Dec	1396	1355	1399	1325
Mar	1414	1377	1410	1346
May	1437	1393	1435	1372
Jul	1458	1410	1433	1384
Sep	1473	1430	1457	1395

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Jul	94.65	92.90	95.15	92.55
Sep	96.50	95.05	97.25	94.85
Dec	99.00	97.75	99.70	97.50
Mar	101.40	99.95	101.60	100.40
May	103.25	101.40	103.25	102.50
Jul	104.40	103.25	104.50	104.00
Sep	105.45	103.90	105.45	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Jul	13.44	13.58	13.61	13.33
Oct	13.30	13.49	13.47	13.24
Mar	12.77	12.89	12.93	12.67
May	12.70	12.82	12.81	12.67
Jul	12.57	12.73	12.72	12.57
Oct	12.39	12.52	12.45	0

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Jul	81.06	81.06	81.20	80.62
Oct	74.57	74.01	74.68	73.75
Dec	69.51	69.58	69.55	69.21
Mar	70.40	70.43	70.40	70.18
May	70.70	70.70	70.56	70.50
Jul	70.80	70.68	70.70	70.60
Oct	65.00	64.81	0	0

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Jul	195.50	198.35	196.00	194.90
Sep	191.50	192.80	192.20	190.40
Nov	186.00	186.50	186.50	184.00
Jan	183.50	183.20	183.10	182.10
May	183.00	182.50	0	0
Jul	183.00	182.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jun 5	Jun 4	mnth ago	yr ago
1891.6	1898.7	1912.6	1982.2

DOW JONES (Base: Dec. 31 1974 = 100)	Jun 4	Jun 1	mnth ago	yr ago
Spot	132.46	-	135.17	131.64
Futures	131.73	-	133.70	131.36

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Jul	592/6	592/6	597/0	590/4
Aug	597/6	598/2	602/0	596/4
Sep	600/0	600/2	604/4	598/4
Nov	607/4	608/0	609/4	604/0
Jan	618/2	616/6	619/6	615/0
Mar	626/6	627/6	630/4	626/4
May	636/4	638/0	639/4	635/4
Jul	643/4	643/0	645/0	642/0
Aug	644/0	645/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Jul	23.26	23.12	23.29	22.96
Aug	23.13	22.95	23.15	22.85
Sep	22.95	22.77	22.95	22.69
Oct	22.69	22.49	22.75	22.44
Dec	22.39	22.14	22.40	22.05
Jan	22.13	21.97	22.15	21.92
Mar	22.05	21.85	22.10	21.85
May	21.80	21.71	0	0
Jul	21.75	21.60	0	0
Aug	21.75	21.60	0	0

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Jul	172.4	172.1	173.6	171.6
Aug	174.4	174.1	175.5	173.4
Sep	176.1	175.6	177.2	175.3
Oct	178.0	177.5	178.5	177.0
Dec	181.2	180.7	182.0	180.1
Jan	183.2	181.6	183.5	181.2
Mar	186.5	184.5	186.5	184.0
May	187.7	187.4	188.0	187.5
Jul	189.5	188.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Jul	276/2	273/6	276/4	274/4
Sep	274/0	268/4	274/0	270/0
Dec	270/6	265/2	271/0	266/6
Mar	276/4	271/2	276/4	272/2
May	279/6	274/2	280/0	276/2
Jul	281/4	276/6	282/0	278/2
Sep	269/0	266/0	0	0
Dec	263/0	259/0	263/4	261/0

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Jul	332/4	331/0	333/0	329/6
Sep	338/4	337/4	339/0	336/0
Dec	352/2	351/6	352/4	349/4
Mar	356/4	356/4	358/6	355/2
May	353/4	355/0	357/0	353/0
Jul	348/0	349/0	350/0	348/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Jun	74.97	74.72	75.00	74.70
Aug	73.85	73.70	73.90	73.45
Oct	76.12	75.87	76.22	75.70
Dec	75.85	75.57	75.90	75.42
Feb	75.30	75.05	75.35	74.90
Apr	76.25	75.95	76.30	75.82
Jun	73.15	73.00	73.22	72.90

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low	
Jun	66.77	66.25	66.86	65.87
Jul	64.42	63.05	64.50	62.95
Aug	62.00	60.90	62.40	60.85
Oct	54.57	53.25	54.65	53.05
Dec	53.75	52.47	53.85	52.15
Feb	51.40	50.40	51.50	50.40
Apr	48.27	47.42	48.40	47.50
Jun	50.90	50.50	50.90	0

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Jul	67.30	65.30	67.30	64.85
Aug	65.25	63.25	65.25	62.75
Feb	61.95	60.67	62.00	60.55
Mar	61.67	60.15	61.80	60.10

LONDON STOCK EXCHANGE

A less confident session for equities

AN erratic and ...ily-traded session yesterday, the UK equity market ...ggled with discouraging ...ors on both domestic and ...nsatlantic fronts. An initial ...ance, on the back of Wall ...eet's new record close on ...nday, was cut down by ...erse news from the UK ...perty sector, and a second ...empt to move up was ...rsed by a cool opening to ...new Wall Street session.

...ealers admitted that some ...k was sold during the mid-...ning downturn, but said ...e were still enough opti-...s around to keep yester-...s correction within narrow ...nds. Support was fading at

Account Dealing Dates		
*First Dealings:		
May 29	Jun 11	Jun 25
Option Declarations:		
Jun 7	Jun 21	Jul 5
Last Dealings:		
Jun 8	Jun 22	Jul 6
Account Day:		
Jun 18	Jul 2	Jul 16

*New-time dealings may take place from 8.30 am two business days earlier.

the close, however, and the equity sector had difficulty in holding overnight levels.

The FT-SE Index swayed widely during the day, adding 20 points in very early trading, showing a fall of 16.5 later, and finishing the day with a net gain of 1.1 at 2,380.1. The day's high took the Index to within 1.1 points of the 2,400 mark which is regarded as the market's next significant hurdle. But London also kept its eyes closely on Wall Street, which is seen to be facing a similar testing point at Dow 3,000.

The hardest blow of the day came from the property sector, where Great Portland Estates, one of Britain's leading investment property groups, disclosed a 4 per cent fall in the value of its portfolio, and referred to the "likelihood of interest rates and inflation remaining high for some time."

The implications of Great Portland's statement were not lost on the rest of the property sector, nor on the rest of the equity market. Heavy losses in the property stocks were accompanied by hefty trading volumes. The day's Seaq volume jumped to 598.5m shares from Monday's 430m; both retail investors and market-makers were active in yesterday's market, and business was actively two-way.

Shares began to rally later, helped by a £100m two-way trading programme operated by a leading UK investment bank and securities house, reportedly County NatWest. London was also trading on the hope that Wall Street would turn up trumps again, but this hope was dashed when New York faded in early trading to show a modest fall at the close of the UK market. Some UK analysts questioned whether optimism for a cut in US interest rates might have been overdone.

Yesterday's nervousness reflected uncertainty among analysts over the immediate economic outlook. For the near-term, at least, London's progress is expected to continue to follow Wall Street's, especially if the Dow challenges 3,000; but both markets face important tests in the form of impending inflation data – the Retail Price Index in the case of London, and the Consumer Price Index in the US market.

...roperty ...ector ...etback

...erty shares were battered ...erday after surprising ... from Great Portland, the ...erty investment company, ... its net asset value had ... during the last year.

...e decline in Portland's net ... value, fully diluted and ...g account its trading sur-... to 394p was 30 to 40p ... most analysts' expecta-... "This was the first major ...rty company to show a ... net asset value," said Mr ...w Walker of Barclays de ... Wedd. Great Portland's ...s fell 31 on the announce-... to 243p before easing a ...r 2 to close at 241p, a net ...f 33.

... rest of the property sec-...so gave up gains made ...he past two weeks. Land ...ities lost 17 to 509p, ... softened 17 to 501p, and ...h Land eased 22 to 338p. ...ver in the leading shares ...eightened by the news, ...and Securities trading a ... 6.2m, MEPC 3.3m and ...h Land 1.3m. Dealers ...ed a strong two-way mar-...ith some funds lighten-...ll further their holdings ...perty stock.

...lysts said they expected ...arket to trade nervously ... British Land produces ... year results. Mr Walker ...e expected a decline in ...n Land's NAV to 500p ...30p the previous year.

...chi relief

...ate of profit downgrad-...om analysts on Saatchi ...aatchi did not prevent ...ares from putting in a ...formance. The upward ... came from the sale of ...ay consulting group ... although it had been ... since last year, still ...d to take the market by ... Hay's managers are ... $80m and a ten year ...ubordinated note carry-...rest at 10 per cent.

...ompany also revealed a ...cent fall in half year ... to £14.4m, at the top end ...ctations. It said that ...nance in the US and ... has been good, but UK ...ance disappointing. ... charge particularly ...ed analysts, but they ...at management now to try to cut this and ...easure of recovery was on a two- to three-year ...le. Typically, analysts ...ir current year profit ... from more than £40m ...d £30m.

... from the long-term ...n, traders said the rise ... share price was the result of US buying. They closed at the day's high of 107p, up a net 6, on moderate volume of 1.3m.

Lep higher

International freight forwarding company Lep Group rose 15 higher at 187p as the market picked up strong hints that a big shareholding in the group had changed hands. Mr John Read, chairman of Lep, said he was aware of the rumours and awaited official notification of the transaction. He would not comment further.

It was said in the market that a block of some 18m shares, representing a 13 per cent stake in Lep Group, had been sold by the Kuwait Investment Office (KIO) and had been purchased by a Swedish group, Bilspedition, known to have shown an interest in the freight business in the past. Another unnamed Swedish group was also mentioned as a potential buyer of the shares.

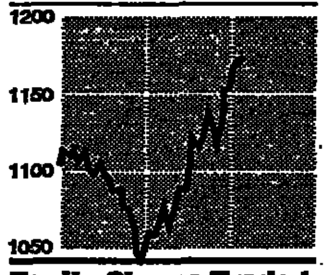
Hoare Govett, the securities house, was said to have carried out the transaction, but this could not be confirmed. It was said that the KIO had been known to be a seller for some time, but dealers said the shares had not been offered to institutions – "therefore the stock has almost certainly gone to a corporate buyer," noted one specialist. The KIO purchased the stake in October 1987 for 165p a share. Yesterday is the first time, according to traders, that the share price has exceeded the purchase price.

The latest decline by crude oil prices kept oil stocks under pressure. Brent for July delivery dipped by some 60 cents to $15.70 a barrel towards the close amid stories of discounts of anything between 25 cents and 75 cents a barrel being offered to Japanese customers by Saudi Arabia. "The oil price is backing away – it seems $16 a barrel is not low enough to convince other OPEC producers that they have to cut output, perhaps $15 will do the trick," said one specialist.

The specialist also noted that the oil sector relative was hovering just over 200 – "and looking to go lower not helped either by the dollar/sterling rate," he said.

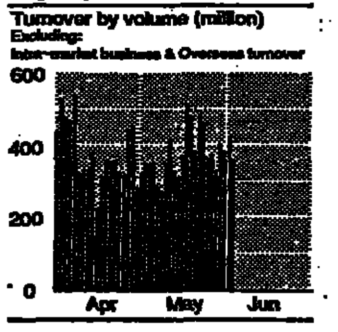
BP dipped 6 to 326p on 7.9m while Shell held up well at 466p on 2.5m. British Gas, still sustained by switching into the stock from the "majors", man-

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



aged a minor gain at 220½p on turnover of 10m.

Aviva responded to buy recommendations issued by at least three broking firms, as well as stories that an Australian group had bid 60p a share for the company.

The financials area of the market was awash with takeover speculation, triggered in part by what was described by one dealer as "very big buying indeed."

Prudential Corporation were heavily supported all day, closing 4 higher at 231p, after 235p, in the wake of stories that Prudential Corporation of America has taken a close look at the company. But traders and analysts were sceptical of the stories and noted the highly speculative nature of the buying interest. Turnover in Prudential expanded to 11m shares, some three times the usual level of activity in the shares. The Prudential rumours were said to have fuelled keen interest in other life stocks, notably Legal & General which added 5 at 409p on turnover of 2.9m.

Composites responded to a continuing market "squeeze" with Commercial Union 6 firmer at 497p and General Accident 16 ahead at 1133p. Sun Alliance put on 4 to 325p on 605,000 shares.

Press comment on the Willis Faber merger with America's Corroon & Black was described by traders as negative and kept Willis shares on the defensive throughout a difficult session. At the close they were a further 15 off at 250p, having dropped to 246p at one point; turnover reached 4.3m shares. Other insurance brokers were supported on the assumption that they could well benefit from the US business emanating from Willis' former US associate Johnson & Higgins. Sedgwick added 3 at 269p. Sturge, hit by the profits warnings accompanying the interim results, dropped 7 to 267p.

The late flurry of American buying in the banks was directed towards TSB, NatWest, Midland, Lloyds and Barclays and was said to have caught the market short of stock, thereby exaggerating price rises. TSB added 3 at 145p on turnover of 5m, while Midland were 10 higher at 310p on 3.7m. NatWest, where turnover rose sharply late in the day to 3m, gained 8 at 368p, and Barclays put on 6 to 416p on 3.1m. Lloyds held at 309p with 5.3m shares changing hands.

Market observers predicting a "big bid" in the market yesterday settled on Allied-Lyons. The shares continued several days of strong outperformance with a rise of 16 to 520p on good turnover of 5.1m shares. A variety of potential bidders were suggested, ranging from cash-rich old favourites like Hanson and Philip Morris, though to unspecified predators from the Continent.

The impact of the recent speculation that Aldi, the West German supermarket chain, had asked the Office of Fair Trading to investigate possible anti-competitive practices continued to depress the food retailing shares. Tesco eased 3 to 220p, while Sainsbury weakened 3 to 287p.

Argyll was weaker following full year results which some saw as being disappointing. The full year profits of £227.5m compared with £178.7m last time. Henderson Crosthwaite said it had raised its forecast for the current year to £277m, from £270m previously. Argyll at one stage was down 8 at 226p, before eventually closing at 230p, a net loss of 4, having traded 7.6m.

Hazlewood slipped 10 to 142p on suggestions that a 4.1m line of stock was still overhanging the market. The block was said to have been passed from one agency broker to another and a buyer had not yet been found.

Interim figures from edible oils supplier Acatos & Hutchinson almost trebled to £3m and the shares climbed 17 to 129p.

In a dull stores sector, confirmation of the merger of do-it-yourself operations owned by Boots and WH Smith had little effect on the respective companies' shares. Boots lost 5 to 305p while Smiths' "A" shares eased 3 to 349p.

Pentos stood out with a rise of 7 to 112p. At the annual meeting, the chairman said that sales in the first five months of 1990 were 17 per cent ahead of last year, with sales at Dillons Bookstores 30 per cent up.

USM-quoted corporate hospitality organiser, Expedier Leisure fell 5 to 56p after saying it planned a £2.5m rights issue to help in the £8.8m acquisition of Space-Time Systems, which operates the First Call theatre bookings system. The rights issue is at 50p per share of two existing Expedier shares for every nine already held.

Hepworth, the building supplies group, added 4 at 294p after strong institutional support. Marshalls fell 9 to 120p with the preliminary figures offset by the accompanying statement and a cautious post-results meeting with analysts.

British Telecom (BT) were a fraction firmer at 295p as a massive 19m shares changed hands; the market revived old stories that Cellnet, the cellular radio business owned 60/40 by BT and Securicor, was about to be floated off as a separate entity. Telecoms specialists pointed out, however, that the terms of the Government licence covering cellular radio, would have to be changed before a sale could take place. Securicor "A" rose 5 to 697p.

Amstrad held around 66½p on turnover of 5.2m after a visit by Kleinwort Benson who reaffirmed their bullish stance on the stock. GEC edged up a penny to 213p after almost 10m shares were traded.

Powell Duffryn advanced firmly despite revealing year-end profits marginally lower at £33.6m. The company said it was in talks to sell its coal distribution activities and,in a separate deal, for the formation of a new joint venture of its three US chemical storage terminals. "The decision to sell the coal distribution arm marks a significant turning point in the history of the group whose origins sprang from theSouth Wales coal mines more than 100 years ago," said the company. Powell climbed 25 to 341p.

The absence of bid developments at Davies and Newman, which owns Dan-Air, left this persistently volatile stock 53 lower at 475p.

Tomkins' announcement of a rights issue to finance its $550m acquisition of Philips Industries, a US manufacturer of components for homes and recreational vehicles, lopped 14 off the share price to 288p.

US buying pushed Rolls-Royce to a new high of 233p before profit-taking took the shares back to to 228½p, a penny down on the day. A profit warning hit Hall Engineering, down 45 at one point. The shares recovered to 130p, down 25 on the day. The company blamed "difficult trading conditions, rationalisation costs, a squeeze on margins in metal stockholding and doubled interest changes."

Glynwed slid as traders looked forward to figures on Thursday when, they said, the result of a monopolies inquiry into its £31m bid for Alumasc, Britain's biggest beer barrel maker, would be revealed. The shares bottomed at 245p before recovering to 248p, 2 lower on the day. Turnover was 1m shares.

De La Rue turned in a 41 per cent profit improvement to £38.4m at the half way stage and the shares jumped 22 to 274p. BZW raised its profits forecast for the current year from £55m to £67m saying the company's management was "much improved."

A positive statement from Quicks Group's managing director at the annual meeting helped the shares firm 2 to 113p. "Used car sales were buoyant . . . a high percentage of income continues to be achieved from servicing, parts and accident repairs, which are less vulnerable to the economic cycle," said Mr Tim Worrall.

■ Other Market statistics, including the FT-Actuaries share index, Page 26

FINANCIAL TIMES STOCK INDICES

	June 5	June 4	June 1	May 31	May 30	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.19	79.18	78.67	78.31	78.58	84.43	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.74	87.68	87.45	87.28	87.27	96.14	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1893.9	1893.4	1882.4	1855.0	1857.4	1753.0	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	198.6	202.4	212.2	213.3	216.2	180.7	378.5 (6/2)	198.6 (5/6)	734.7 (15/2/83)	243.5 (26/10/71)
FT-SE 100 Share	2380.1	2379.0	2371.4	2345.1	2348.2	2107.4	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)

	June 5	June 4	June 1	May 31	May 30	Year Ago
Ord. Div. Yield	4.89	4.89	4.92	4.99	4.98	4.54
Earning Yld %(full)	10.97	10.98	11.05	11.21	11.22	10.99
P/E Ratio(Net)(☆)	11.01	11.00	10.94	10.78	10.78	11.02
SEAQ Bargns 4.45pm	32,227	31,402	31,605	32,814	30,637	24,895
Equity Turnover(£m)†	-	817.08	988.20	1039.50	1079.14	1148.78
Equity Bargains†	-	31,741	33,082	33,493	29,801	27,380
Shares Traded (ml)†	-	380.5	414.1	392.5	408.7	458.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.90

Ordinary Share Index, Hourly changes Day's High 1907.4 Day's Low 1877.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1901.1	1903.6	1894.8	1877.9	1883.9	1891.8	1895.5	1897.3	1892.8

FT-SE, Hourly changes Day's High 2398.9 Day's Low 2362.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2390.7	2394.0	2382.8	2362.8	2370.7	2379.3	2382.2	2385.3	2376.3

GILT EDGED ACTIVITY

Indices*	June 4	June 1
Gilt Edged Bargains	81.4	86.8
5 – Day average	82.2	82.2

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	798	191		Courtaulds	1,400	347	−6	MEPC	3,300	501	−17	Slough Ests	3,900	295	−5
ASDA Group	5,100	109	+1	Dalgety	579	349	+3	Manpower	1,600	79½	+½	Smith (W.H.) A	1,500	349	−3
Abbey National	5,100	204½	−½	Dixons	3,900	142	−1	Marks & Spencer	2,500	223	+1	Smith & Nephew	3,500	116	
Allied-Lyons	5,100	520	+16	ECC Group	368	386	+4	Maxwell Comm.	330	197	−½	SmKl Beecham	1,400	545	+4
Amstrad	6,200	66½	−½	Enterprise Oil	660	643	−5	Mecca Leisure	2,800	87½	+1	SmKl Beecham Units	25	2548	+16
Anglian Water	333	159	−3	FKI	4,400	75	−2	Midland Bank	3,700	310	+10	Smiths Inds.	627	285	−1
Argos	1,400	229	−2	Ferranti	658	40	+1	NatWest Bank	3,000	368	+8	South West Water	367	164	−2
Argyll Group	7,600	230	−4	Fisons	1,500	380	+3	Next	1,300	65	−1	Southern Water	568	133	−1
Ass. Brit. Foods	638	405	+5	Gen. Accident	884	1133	+16	North West Water	597	156	−2	Standard Chard.	273	475	−1
BAA	1,900	429	+1	General Elect.	9,600	213	+1	Northern Foods	628	305		Storehouse	4,500	127	−1
BAT Inds.	4,700	655		Glaxo	4,400	798	+8	Northumbrian Water	271	170	−1	Sun Alliance	605	325	+4
[illegible]				[illegible]				[illegible]				[illegible]			
BP	7,900	326	−6	ICI	676	1258	−5	Rolls Royce	10,000	228½	−1	United Biscuits	2,300	347	−3
British Steel	3,300	144½		Inchcape	288	275	−3	Rothmans	882	728	−2	Utd. Newspapers	380	343	−2
British Telecom	19,000	295	+1	Kingfisher	4,100	337	−6	Ryl Bk Scotland	1,000	185	+2	Water Package Us.	4	£1513	−22
Bunzl	221	100	−1	Ladbroke	1,800	315½	+½	Royal Insurance	1,800	493	+1	Wellcome	1,500	882	−2
Burmah Oil	663	642	+4	Land Securities	6,200	509	−17	STC	1,100	266	−1	Welsh Water	732	165	−1
Burton	3,600	177	−11	Laporte	196	839	+12	Scotcid	1,300	107	+6	Wessex Water	223	162	−2
Cable & Wire.	4,300	549	−5	Legal & General	2,900	409	+5	Sainsbury	3,400	287	−3	Whitbread 'A'	3,000	440	+9
Cadburys	1,700	348	−6	Lloyds Abbey	2,100	324	−1	Scottish & New.	822	338	+4	Williams Hldgs.	661	280	−8
Calor Group	188	278	−4	Lloyds Bank	5,300	309		Sears	4,900	103	−1½	Willis Faber	4,300	250	−15
Carlton Comms.	1,600	651	−9	LASMO	1,300	405		Sedgwick	1,200	269	+3	Wimpey	1,000	242	
Coats Viyella	875	127	−3	Lonrho	1,200	256	+2	Severn Trent Water	1,180	135	−1½	Yorkshire Water	506	162	−2
Comm. Union	758	497	+6	Lucas	501	687	+3	Shell Transport	2,500	466	−1				
Cookson	1,400	219	−7	MB Group	485	221	−3	Siebe	427	494	−5				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (86).
BRITISH FUNDS (1) AMERICANS (6) BANKS (4) BREWERS (4) BUILDINGS (7) CHEMICALS (7) STORES (4) ELECTRICALS (12) ENGINEERING (8) FOODS (4) INDUSTRIALS (18) Alexandra Workwear, Boots, Bowater, British Vita, CRT, Cathay Pacific, Diploma, Goode Durrant, Halma, Hanson, Portmeirion Potteries, Reckitt & Colman, Robertson Group, Rolfe & Nolan, Schlumberger, Siebe, Stockdale, Swire Pac A, INSURANCE (2) NEWSPAPERS (1) TRANSPORT (2) TRUSTS (4) OILS (1) OVERSEAS TRADERS (1) MINES (1) THIRD MARKET (1).
NEW LOWS (86).
AMERICANS (1) CANADIANS (2) BANKS (2) BUILDINGS (8) STORES (1) ELECTRICALS (6) ENGINEERING (9) INDUSTRIALS (4) Amer, Colorgen, Medeva, Norton, NEWSPAPERS (1) PROPERTY (7) TRUSTS (6) OILS (4) OVERSEAS TRADERS (1) MINES (16) THIRD MARKET (3).

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
99½	97½	Treas 8¼pc 1987-90‡‡	99½		8.29	[illegible]
99	97	Treas. 8pc Cv 1990 ‡‡	99		8.06	[illegible]
98	96	Treas. 10pcCv 1990	98		10.18	[illegible]
96	93	Exch 2½pc 1990	96		2.60	[illegible]
98½	97	Treas 11½pc 1991	98½		11.93	[illegible]
95	92	Funding 5¾pc '87-91‡‡	94		6.08	[illegible]
93	89	Treas. 3pc 1991	92		3.23	[illegible]
96	94	Treas 10pc Cv '91 ‡‡	96	+	10.36	[illegible]
97	94	Exch. 11pc 1991	96¼	+	11.37	[illegible]
93	90	Treas. 8pc 1991	92	+	8.61	[illegible]
101	97	Treas 12¾pc 1992‡‡	99	+	12.85	[illegible]
96	92	Treas 10pc 1992	95	+	10.52	[illegible]
92	89	Treas. 8pc 1992 ‡‡	91		8.72	[illegible]
97	93	Treas 10½pc Cv 1992‡‡	95		10.97	[illegible]
[illegible]						

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
21⅞	14¼	Chase Manhattan $12½	16	+⅛	$2.36	−	8.7
19¼	14	Chem. Banking Corpn.	16⅞	+⅛	$2.72	−	9.7
12½	9¼	Chrysler $6¼	9⅞	+⅛	$1.20	−	7.4
[illegible]							

CANADIANS

[illegible]

Continued on next page

APPOINTMENTS

...chief at ...tish Gas

...hn B. Allan has been ...d director of planning ...rmation technology ...SH GAS. He was ... deputy chairman, ...as West Midlands.

...ris French has been ...d general manager, ...t NATIONWIDE BUILDING SOCIETY. ...ssistant general ... corporate ...ent.

...ON has appointed Mr ...Brown *(pictured)* to ... and as managing ... the Ritz Video Film ...p. He was managing ... retailing division, ...ands Electricity.

■ BARDON GROUP has appointed Mr Clive James as managing director of Bardon Quarries. He was trading director of ARC Shepshed. Mr Chris Murtough has been promoted from commercial manager to commercial director of Bardon Quarries.

■ Price Waterhouse, administrator of London United Investments, has appointed Sir Denis Marshall as chairman of H.S. Weavers (Underwriting) Agencies, and Sir Ian Morrow as chairman of Walbrook Insurance Co, the two principal subsidiaries of London United. Mr Ronnie Driver, the previous chairman of both companies, has resigned, and Mr Peter Wilson, previous LUI chief executive, has given up executive responsibilities and been retained as a consultant by Weavers to assist with the continuing run-off of LUI Group's insurance business.

■ PETROCON GROUP has appointed Mr Gareth Howell as managing director of the surveying and cartographic division. He was previously board director responsible for design and project management at D.Y. Davies, the architectural and design services group.

■ THE FUJI BANK has appointed Mr Michael Clarke as assistant general manager and group head - property finance. He joins from Lloyds Bank Capital Markets, where he was an assistant director.

Mr Christopher Burton *(pictured)* has been appointed managing director of BRYANSTON INSURANCE COMPANY. He was finance director of Rattner Mackenzie.

■ Sir George Blunden, who recently retired as deputy governor of the Bank of England, has rejoined the board of LEOPOLD JOSEPH HOLDINGS, where he was joint deputy chairman prior to joining the Bank of England. Sir George will succeed Baron de Rede, joint deputy chairman, when he retires on June 14.

■ Mr Richard Dawbarn has been appointed chief executive of UNITED TRANSPORT INTERNATIONAL, part of BET, from July 1. He becomes chairman of United Transport America on the same date. He is executive chairman of United Transport Europe.

■ Mr Scott Durward and Mr Innes Hardie of the Alliance & Leicester Building Society have been appointed directors of GIROBANK following the signing of the conditional sale agreement between the Post Office and the Society.

■ Mr Norman Bright has been appointed group development director of KINGSWAY GROUP UK building materials division. He continues as chairman of Earthspan, the concrete floor joist manufacturer acquired by Kingsway in January.

■ Mr David Briggs has become managing director of TAYLOR NATIONAL, nursing and residential care home business agents. He has been a main board director of the holding company, Business Sales Group, since 1983.

■ Mr Richard Owen, a director of the parent company Trinity Holdings, has been appointed managing director of DENNIS EAGLE, Warwick-based refuse collection vehicle manufacturer. Mr Norman Thoday, general sales manager, is promoted to UK sales director.

■ Mr Vincent Thompson has been appointed a director of HAMBROS BANK, joining the international corporate development section of the corporate finance division, concentrating on European mergers and acquisitions. He was a director of Morgan Grenfell.

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	226	−2	44c	1.4	9.1	7.8
207	172	Abbey National 10p	204½	−½	5.7	4.3	3.7	8.3
*274	210	Allied Irish Ord	235	+1	Q40%	♦	4.0	♦
£13¼	£11¼	Algemene Fl.10	£11¼	.....	Q28%	2.1	7.8	6.0
85	73	Anglo Irish	73	−2	Q18.7%	2.7	6.0	10.0
81	68	Ansbacher (H.) 1p	76	+1	2.5	1.3	4.4	21.9
£71½	£54¼	Bancaire Cie Fr100	£63½	−1½	h012½%	−	2.2	−
£22½	£16½	Banco Bilbao Viz.	£19	.....	Q49.1%	2.7	4.4	12.3
£31	£24¼	Banco de Santander	£27¼	.....	Q25%	2.4	4.1	10.1
286	224	Bank Ireland Ir£1	256	+2	Q14.3%	♦	5.3	♦
£19½	£18	Bank Leumi	£19¼	....	−	−	−	−
350	320	Bank Leumi (U.K.)	345	.....	†13.5	−	5.2	−
125	104	Bank Scotland	121	.....	4.55	3.3	5.0	8.0
100¼	83¼	Do. 9¼pc Irrd Pf.	93¼	−½	9¼%	−	13.3	−
56	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.3)
428	352	Barclays £1	416	+6	h19.57	3.5	6.3	5.8
22	12	Benchmark 20p	13	.....	1.63	1.0	16.7	7.5
335	310	Brown Shipley £1	324	+4	12.0	♦	5.1	♦
455	361	Cater Allen £1	406	+1	23.5	−	7.7	−
179	132	Chancery	134	.....	†8.0	2.8	8.0	5.9
£23¼	£19½	Commerzbk DM10	£20¼	.....	Q18%	−	3.3	−
£13¼	842	Dai Ichi KGk Y50	936	+22	Q17%	♦	0.4	♦
*£13⅞	£82¼	Deutsche Bk DM50	£279½	+½	Q28%	−	1.8	−
£20¼	£19	Espirito Santo	£19½	.....	Q75c	♦	2.3	♦
253	183	First Nat. Fin. 10p	218	−3	13.0	2.4	8.0	6.7
121	96	FNFC 6.3pc Cv Pf.	110	−1	6.3%	−	7.6	−
262	108	Fuji Bank Y50	108	−2	Q17%	♦	3.2	♦
325	262	Gerrard & National	280	−1	19.0	♦	9.0	♦
154	131	Guinness Mahon 10p	131	−1	2.1	−	2.1	−
328	223	Hambros 20p	267	.....	†10.0	−	5.0	−
128	93	Do 7.5pc Cv Pf	108	.....	7½%	−	9.3	−
53½	43	HK & Shang. HK$2.50	45	−½	hQ38c	−	6.4	−
478	458	Joseph (Leo) £1	458	.....	15.85	−	4.6	−
148	126	King & Shaxson 20p	148	.....	10.25	♦	9.2	♦
422	340	Kleinwort Benson Grp.	395	.....	16.0	2.5	5.4	10.0
642	402	Kyowa Bank Y50	490	−2	Q14%	♦	0.6	♦
312	242	Lloyds £1	309	.....	13.3	2.6	5.7	7.2
56	44	Lon. Scot. Bank 10p	48	.....	2.4	1.8	6.7	10.1
403	271	Midland £1	310	+10	18.0	2.6	7.7	6.4
£14½	£10½	Mitsubishi Bank Y50	£10½	.....	Q17%	♦	0.3	♦
£12¼	£6¼	Mitsubishi Tst & Bk Y50	£8	−½	Q17%	♦	0.4	♦
£10½	£7¼	Mitsui Bank Y50	£8¼	.....	Q16%	6.0	0.4	46.2
904	559	Mitsui Tst & Bk Y50	634	−7	Q17%	♦	0.5	♦
326	279	Nat Aust. Bk. A$1	299	+3	sQ50c	1.6	7.6	8.2
368	299	NatWest £1	368	+8	16.7	3.3	6.1	6.7
£210	£190	Ottoman Bank	£200	.....	Q110%	2.8	5.5	6.5
55	39	Rea Bros. Group	46	+1	0.5	3.4	1.4	21.0
200	155	Rothschild (J) Hldgs	176	−1	†9.5	3.6	7.2	5.0
227	149	Royal Bk. Scotland	185	+2	†7.2	3.8	5.2	6.5
795	424	Saitama Bank Y50	555	−11	Q14%	♦	0.5	♦
£12¼	806	Sanwa Bank Y50	907	−33	Q17%	♦	0.4	♦
902½	712½	Schroders £1	778	.....	h12.5	5.9	2.1	10.5
712½	537½	Do £1 N/V	588	.....	h12.5	5.9	2.8	7.9
£25¼	£20¼	Sec. Pacific $10	£25¼	−1¼	Q$1.96	−	4.7	−
616	454	Standard Chartd £1	475	−1	35.0	1.4	9.8	(8.9)
£16¼	£8¾	Sumitomo Bank Y50	£10¼	−¼	mQ15%	7.5	0.3	44.9
£11	£6¼	Sumitomo Tst & Bk Y50	£7¼	−½	Q17%	♦	0.4	♦
147	121	TSB	145	+5	5.8	2.8	5.3	9.3
175	126	TSB Bank Ch'nel Is	151	.....	†06.7	3.5	4.5	7.4
£11¼	£5¾	Tokai Bank Y50	£6¾	−½	Q16%	4.1	0.5	52.8
920	605	Toyo Tst & Bk Y50	721	−6	Q15%	6.9	0.4	34.6
611	533	Union Discount £1	581	+1	33.0	−	7.6	−
525	398	Warburg (S.G.)	424	+3	15.0	♦	4.8	♦
180	133	Do 6pc Cnv Prf	141	+1	6%	−	5.7	−
279	210	Westpac SA1	226	.....	Q52.5c	1.5	10.9	6.0
420	373	Wintrust 20p	380	+7	†7.8	−	2.7	−
969	574	Yasuda Tst & Bk. Y50	757	−5	Q17%	♦	0.4	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
355	173	Anglo Grp 10p	198	+5	†5.0	4.1	3.4	7.7
£128½	£74½	Do 9½pc 1999	£79½	−1	Q9½%	−	11.9	−
175	130	CLF Yeoman 50p	130	−10	Q18.5%	♦	4.3	♦
71	60	Cambridge Grp Ir5p	66	+1	Q7½%	♦	0.5	♦
55	34	Capital Leasing Ir 10p	38½	.....	Q12%	3.5	2.9	9.0
68	50	Cattle's (Hldgs) 10p	58	+1	3.58	1.5	8.3	8.3
415	367	Prov. Financial	414	.....	20.5	2.0	6.6	10.0
235	210	Reflex Invs. Ir5p	210	.....	Q34.6%	6.6	0.8	24.4
225	199	Secure Trust Grp 1p	212	.....	8.5	2.4	5.3	10.5
210	178	Woodchester IR20p	203	+3	Q16.7%	5.9	1.6	14.3

BEERS, WINES & SPIRITS

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
520	408	Allied-Lyons	520	+16	16.95	q2.2	4.3	11.9
£26½	£20½	Anheuser-Busch $1	£26½	+½	72c	−	1.4	−
1123	895	Bass	1100	−9	†28.2	3.5	3.4	10.9
170	131	Boddington	156	.....	5.1	♦	4.4	♦
199	161	Bulmer (H.P.) 5p	171	+2	†6.95	1.4	5.4	16.8
227	168	Burtonwood Brewery	189	.....	3.55	2.5	2.5	21.2
400	290	Clark (Matthew)	290	.....	†13.0	2.8	6.0	8.1
286	169	Devenish (J.A.) 5p	186	−1	4.65	3.1	3.3	11.4
225	120	Do 4.5pc Cv 2ndPf	135	.....	4½%	−	4.4	−
167	123	Eldridge Pope "A" 50p	133	+2	4.1	2.3	4.1	12.6
400	345	Fuller, S.T.A.	350	.....	†4.45	4.4	1.7	16.6
656	533	Grand Metrop 50p	637	+6	†17.75	2.8	3.8	10.9
353	295	Greenall Whitley	347	−2	†8.7	2.9	3.3	13.1
170	139	Do 5.95pcCvPf£1	167	.....	5.95%	−	4.8	−
420	314	Greene King	391	−3	†8.7	3.6	3.0	12.0
796	633	Guinness	786	+9	15.3	3.0	2.6	15.3
221	172	Do 5¾pc Cnv Prf.	218	+1	5.75%	−	3.5	−
£267½	£210½	Do 8¼pcCvLn.	£265½	+3	Q8¼%	−	3.1	−
253	202	Highland Dists 20p	219	−1	†3.85	2.7	2.3	21.0
825	608	Macallan-Glenlivet	608	.....	1.06	6.9	0.2	−
2020	1900	Macdonald Martin 'A'	2020	.....	32.0	♦	2.1	♦
480	377	Mansfield Brewery	377	.....	†9.5	3.5	3.4	11.3
222	159	Marston Thompson	178	.....	†3.36	3.5	2.5	15.3
428	395	Merrydown Wine	426	.....	†h5.78	3.5	1.8	20.8
405	335	Morland	340	.....	†h5.13	4.1	2.0	14.5
361	278	Scott & New 20p	338	+4	†10.83	2.3	4.3	13.2
£57¾	£42¾	Seagram	£52¼	+¼	US$1.40	−	1.6	−
329	200	Vaux Group 10p	251	.....	†d7.84	2.2	4.2	13.9
437	360	Whitbread 'A'	446	+9	14.8	q2.4	4.5	11.4
79	61	Whitbure Brewery 5p	66	.....	L1.5	−	3.0	−
430	339	Wolv. & Dudley	388	.....	†9.0	3.8	3.1	12.3
495	460	Young Brew 'A' 50p	470	+5	11.5	♦	3.3	♦
415	370	Do. Non. V. 50p	375	.....	11.5	♦	4.1	♦

BUILDING, TIMBER, ROADS

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
504	385	AMEC 50p	411	+2	19.0	3.8	6.2	5.6
125	95	Do 6½p Cm Cv Pf	102	.....	6½%	−	8.7	−
130	70	Abbey	100	.....	26.8%	4.1	8.5	3.8
116	82	Allen 5p	88	+6	†4.2	2.8	6.4	6.6
159	122	Amco Corp	145	.....	−	−	−	−
133	65	Anglia Sec 10p	70	.....	†2.0	0.2	♦	−
155	138	Arncliffe 10p	141	.....	6.75	5.9	6.4	3.5
285	213	Ashtead Group 10p	225	+3	†2.5	8.5	1.5	9.7
473	405	Attwoods 5p	473	+2	†8.0	2.3	2.3	21.4
128	121	BMSS 10p	121	.....	4.38	3.5	4.8	7.4
263	205	BPB Inds. 50p	232	−2	†10.75	2.4	6.2	8.2
144	91	Baggeridge Brick	101	−1	3.13	4.2	4.2	7.6
71	40	Bailey (Ben) 10p	43	−2	h1.9	6.8	5.9	3.3
127	97	Baldwin 10p	105	+1	2.55	4.0	3.2	10.2
180	135	Ball (A.H.) 5p	140	.....	L6.0	1.9	5.7	11.2
51	28	Banner Homes 10p	30	.....	†2.8	3.9	♦	2.7
216	165	Barratt Dev. 10p	171	−1	13.39	2.0	10.4	6.3

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

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MOTORS, AIRCRAFT TRADES – Contd

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Garages and Distributors

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PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
14	11	Scott Pickford 10p...y	12	.....	d0.38	3.8	4.2	8.1
38	14	Sempernova......y	14	.....	–	–	–	3.1
36	24	Sleepy Kids 5p......y	31	.....	–	–	–	–
2¾	1½	Swanyard Studios 1p y	1¾	.....	–	–	–	8.4
94	58	Tomorrows Leisure 20p y	58	–5	–	–	–	22.1
55	35	UPL Group 10p.....y	39	.....	‡2.75	1.9	‡	7.4
181	128	Unit Group ......y	181	.....	5.0	3.3	3.7	10.3
89	59	Video Magic Leis. 1py	65	.....	W2.0	0.7	4.1	52.1
5¼	3¼	Vista Ents 5p......y	4	+¼	–	–	–	–
18	13	Vizcaya Hldgs 5p y	13	.....	–	–	–	–
43½	24½	Wiltshire Leisure 30p.y	24½	.....	0.25	1.7	1.4	52.4
29	9	Do Wrrnts ......y	9	.....	–	–	–	–
5½	3¼	Wilton Group 1p...y	4¼	.....	–	–	–	◆

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990-91. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1.. y	830	......
Finlay Pkg. 5p.... y	55	+2
Holt (Jos) 25p.... y	1300	......

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£98¼	......
9pc Cap Ln. 1996	£94½	......
Fin. 13% 97/02	£112¼	......
Arnotts	415	......
Carrol (P.J.)......y	145	......
Hall (R. & H.)	175	......
Heiton Hldgs......y	74	......
IRG	282	......
United Drug	168	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5¾
BAT	83
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit. Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons	40
Comm Union	48
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Stock	p
Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Stock	p
Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	10
Shell	37
Toskar Res	10
Ultramar	31

Mines

Stock	p
Lonrho	29
RTZ	45

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AUTHORISED UNIT TRUSTS

Prolific Unit Tst Mngrs Ltd – Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	86.39	86.39xd	91.90	-0.30	4.83
International	5	168.1	168.1	178.8	+1.5	0.15
Nth American	5	162.2	162.2	172.9	-0.2	0.29
Pref & Fxd Int	5	36.21	36.21xd	38.56	-1.67	10.44
Special Sits	5	109.9	111.6xd	119.0	-0.4	1.57
Technology	5	158.2	158.2xd	168.2	-0.5	0.09

Providence Capital Fd Mngrs Ltd (1000)H
30 Uxbridge Road, London W12 8PG 081-749 9111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Acc	5	152.5	152.5xd	163.3	....	0.66
European Inc	5	146.3	146.3xd	156.7	....	0.66
Japan Acc	5	103.3	103.3	110.7	-0.9	0.00
Japan Inc	5	103.1	103.1	110.4	-1.0	0.00

Scimitar Unit Tst Mngrs Ltd (1200)F
32 Billiter Street, EC3A 2BE 071-702 9970

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Gwth Acc	5½	44.62	44.62	47.29		[illegible]
Do Income	5½	44.15	44.15xd	46.79		[illegible]
European Acc	5½	35.16	35.16	37.26		[illegible]
Do Income	5½	34.51	34.51	36.58		[illegible]
UK Eqty Inc Acc	5½	43.59	43.59	46.20		[illegible]
Do Income	5½	37.16	37.16	39.38		[illegible]
UK Cap Gwth Acc	5½	28.10	28.10	29.78		[illegible]
Pac Basin Acc	5½	39.77	39.77xd	42.15		[illegible]
Mngd Exempt Acc	3	183.50	189.69	197.59		[illegible]
Do Income	3	179.82	185.88	193.62		[illegible]

Scottish Amicable Ut Tst Mngrs Ltd (1200)H
150 St Vincent St., Glasgow G2 5NQ 041 204 2200

Phillips & Drew Unit Managers Ltd (1400)F
14 Finsbury Square, London EC2A 1PD 071-628 6070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Charities Fxd Int May 30	¼	90.96	90.96	91.32	....	10.7
Charities Intl Utd May 30	¼	98.47	98.47	98.93	....	2.6
UK Exempt May 31	¼	104.0	104.0	106.0	....	5.6
Charities Intl Jun 1	¼	123.4	123.4	125.2	....	2.9

Principal Unit Trust Mngmt Ltd (1600)F
16 South Park, Sevenoaks, Kent TN13 1AN 0732 740700

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Principal Tst	5¼	96.82	98.05	104.31	-0.13	3.50

Prolific Unit Tst Mngrs Ltd (1100)F
222 Bishopsgate, London EC2 071-247 7544/7

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Income	5	64.70	64.70	68.82	+0.45	1.90
Conv & Gilt	5	108.4	108.4xd	115.3	-1.6	8.10
Euro Gwth & Inc	5	64.07	64.07	68.30	+0.31	1.08
Extra Income	5	133.7	135.7	144.4	+1.7	5.01
Far East	5	278.0	278.0	296.3	-1.4	0.01

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages

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	Bid Price	Offer Price	+ or −	Yield Gross
Black Horse Life Ass. Co Ltd				
Mountbatten Hse, Chatham, Kent. 0634 834000				
Life Funds				
Managed Invest Fd	342.89	360.94	—	—
Income Fund	557.03	586.35	—	—
Extra Income Fd	485.36	510.91	—	—
Worldwide Growth Fd	384.21	404.44	—	—
Balanced Fd	452.77	476.60	—	—
Smlr Co's & Recy Fd	489.59	515.36	—	—
Intl Technology Fd	388.27	408.71	—	—
Nth Amer & Gen Fd	280.35	295.11	—	—
Energy Intl Fd	156.02	164.24	—	—
Pacific Basin Fd	321.98	338.93	—	—
German Growth Fd	188.94	198.89	—	—
Japan Growth Fd	186.55	196.37	—	—
UK Growth Fd	150.12	158.03	—	—
Contl Eur Gwth Fd	106.63	112.25	—	—
Nth Amer S.C. & Rcvy	157.53	165.83	—	—
Property Fd	319.79	336.63	—	—
Fixed Interest Fd	204.63	215.40	—	—
Cash Fd	220.57	232.18	—	—
Managed Fd		549.04	—	—
Pension Funds				
Managed Pen Fd	141.58	149.04	—	—
Fixed Int Pen Fd	102.79	108.20	—	—
Property Pen Fd	151.75	159.74	—	—
Cash Pen Fd	127.62	134.34	—	—
UK Equity Pen Fd	126.22	132.87	—	—
Nth Amer Pen Fd	129.82	136.66	—	—
European Pen Fd	160.93	169.40	—	—
Far East Pen Fd	114.11	120.12	—	—
Allvest Funds				
Managed Growth	382.35	402.48	—	—
Managed Income	139.64	146.99	—	—

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FT MANAGED FUNDS SERVICE

Norwich Union Life Insurance Soc.

Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Life				
With Profits Fd	101.61	106.96	+0.03	–
Managed Fd	94.20	99.15	-0.13	–
UK Ord Share Fd	95.16	100.17	-0.36	–
International Fd	95.50	100.52	+0.28	–
European Fd	107.82	113.49	+0.18	–
North American Fd	95.53	100.56	+0.72	–
Pacific Fd	87.76	92.38	-0.53	–
Property Fd	98.59	103.77	+0.05	–
Fixed Int Fd	91.66	96.48	-0.01	–
Intl Bond Fd	91.36	96.17	+0.06	–
Deposit Fd	102.09	107.47	+0.04	–
Unitised Pensions				
With Profits Fd	132.41	139.38	+0.05	–
Managed Fd	148.04	155.83	-0.32	–
UK Equity Fd	152.71	160.75	-0.81	–
International Fd	160.99	169.46	+0.44	–
European Fd	174.37	183.54	+0.33	–
North American Fd	160.51	168.96	+1.37	–
Pacific Fd	129.76	136.59	-0.78	–
Property Fd	154.69	162.83	+0.05	–
Fixed Int Fd	105.22	110.76	+0.04	–
Intl Bond Fd	119.97	126.28	-0.15	–
Bldg Soc Dep Fd	126.12	132.75	+0.05	–
Pensioneer* & Unit-Linked Plus*				
Mixed Fund	403.7	424.9	+5.5	–
Ordinary Share Fund	594.8	626.1	+11.2	–
International Fund	171.4	180.4	+1.9	–
Property Fund	262.2	276.0	+0.2	–
Fixed Interest Fund	294.2	309.7	+0.8	–
Index-Linked Sec Fund	170.6	179.6	-0.9	–
Deposit Fund	225.4	237.3	+0.9	–
Norwich Units May 15		938.37	.....	–

*Prices as at May 31

	Bid Price	Offer Price	+ or -	Yield Gross
Jersey Investment Plan				
With Profits Fund	98.68	103.88	+0.04	–
Intl Equity Fund	97.72	102.86	+0.29	–
Intl Bond Fund	98.27	103.44	-0.11	–

Pearl Assurance (Unit Funds) Ltd

Thorpe Wood, Peterborough PE3 6SA 0733 63212

	Bid Price	Offer Price	+ or -	Yield Gross
Prop Dist. (Gross)	170.4	179.4	...	–
Prop Acc (Gross)	291.4	306.8	...	–
Equity (Gross)	818.9	862.0	+1.4	–
Managed (Gross)	571.1	601.2	+0.4	–
Prop Acc. (Net)	135.4	142.6		–
Equity (Net)	188.7	198.6	+0.3	–
Managed (Net)	173.9	183.1		–
Internat'nal (net)	169.2	178.1	+0.2	–
Gilt & Fxd Interest	104.4	109.9	-0.1	–
Money Fund	115.9	122.0	...	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	574.2	604.5	+0.3	–
Ret Man (Series 2)	194.7	205.0	+0.1	–

Provident Mutual Life Assc. Assn.

Willian Rd Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	338.6	356.4	-0.7	–
Managed Init	264.0	277.9	-0.5	–
Equity Ord	483.4	508.8	-2.4	–
Equity Init	376.9	396.7	-1.9	–
Index Linked Gilt Ord	144.7	152.3	+0.3	–
Index Linked Gilt Init	117.9	124.1	+0.3	–
Overseas Equity Ord	305.1	321.2	+0.4	–
Overseas Equity Init	237.9	250.4	+0.2	–
Property Ord	220.7	232.3	.....	–
Property Init	172.1	181.2	.....	–
Fixed Interest Ord	173.6	182.7	.....	–
Fixed Interest Init	135.3	142.4	.....	–
Deposit Ord	157.3	165.6	+0.1	–
Deposit Init	122.6	129.1	.....	–
Pension Funds				
Managed Ord	423.5	445.8	-0.9	–
Managed Init	330.2	347.6	-0.7	–
Equity Ord	624.0	656.8	-3.8	–
Equity Init	486.6	512.2	-3	–
Pen Ind Lkd Gilt Ord	159.9	168.3	+0.4	–
Pen Ind Lkd Gilt Init	130.2	137.1	+0.4	–
Overseas Equity Ord	350.5	368.9	+0.3	–
Overseas Equity Init	273.3	287.7	+0.2	–
Property Ord	275.2	289.7	+0.1	–
Property Init	214.6	225.9	.....	–
Fixed Interest Ord	209.4	220.4	+0.1	–
Fixed Interest Init	163.3	171.9	+0.1	–
Deposit Ord	212.1	223.3	+0.1	–
Deposit Init	165.4	174.1	+0.1	–

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Prufund				
Managed May 30	245.6	258.9	.....	–

Prudential Holborn Life Ltd

30 Old Burlington St, London W1X 1LB 071-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Holborn Series I Life Funds				
Managed	570.1	600.2	-0.4	–
Equity	1161.6	1222.8	-2.4	–
Fixed Interest	375.2	395.0	-0.6	–
Property	435.1	458.1	.....	–
Cash	285.8	300.9	.....	–
International	409.7	431.3	+0.2	–
Holborn Series II Life Funds				
Managed	557.5	586.9	-0.5	–
Equity	1133.0	1192.7	-2.3	–
International	400.8	421.9	+0.2	–
Fixed Intl	364.6	383.8	-0.6	–
Property	423.1	445.4	+0.1	–
Cash	278.2	292.9	+0.1	–
Pacific Basin	213.9	225.2	-0.3	–
North American	158.9	167.3	+0.6	–
European	196.7	207.1	-0.1	–
Holborn Balanced Gwth	115.3	121.4	-0.3	–
Holborn Strategic Gwth	115.6	121.7	-0.1	–

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JERSEY (REGULATED**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED**)

GUERNSEY (SIB RECOGNISED)

	Bid Price	Offer Price	+ or -	Yield Gross
Union-Investment-Gesellschaft GmbH				
Unifonds	DM38.32	40.30	+0.50	-
Unirak	DM77.79	81.70	+0.15	-
Univenta	DM35.01	36.10	.....	-
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90:10 Trust (Closed)				
Dollar Fd BOPUPs	$10.72	10.23	.....	-
Dollar Fd OPUPs	$11.00	11.07	.....	-
Sterling Fd BOPUPs	£10.21	10.22	.....	-
Sterling Fd OPUPs	£11.91	11.99	.....	-
DM Fd BOPUPs	DM10.01	10.02	.....	-
DM Fd OPUPs	DM10.56	10.63	.....	-
Yen Fd BOPUPs	$7.70	7.71	.....	-
Yen Fd OPUPs	$10.90	10.97	.....	-
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$13.4	14.22	+0.06	0.77
Japanese Warrants	$9.20	9.75	(z)	-
Asian Warrants	$10.11	10.71	.....	-
European Warrants	$10.23	10.84	(z)	-
Wells Fargo U.S. IT Fund				
NAV June 1		$10.06	.....	-
Xiphias International Investment Fd Ltd				
Xiphias Int. USD		$1.0031	.....	-
Xiphias Int. ECU		Ecu1.0067	.....	-

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD 0732 770114				
Cafcash Deposit Fd.	14.98	-	15.84	3-Mth
The COIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	15.00	-	15.87	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX 071-236 1425				
Call Fnd	14.43	11.26	15.43	6-Mth
7-day Fund	14.54	11.34	15.56	6-Mth
Special Fund	14.83	-	16.27	1-Mth
Dollar	6.87	5.36	7.29	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY 071-638 6070				
Treasury Acc.	13.50	10.53	14.60	Qtr
M'ple Chq £1,000-£4,999	13.50	10.53	14.73	Mth
M'ple Chq £5,000-£49,999	14.00	10.92	15.31	Mth
Mth Int Chq £50,000+	14.50	11.31	15.88	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 071-626 0879				
OMNA (£2,001+)	14.78	11.53	16.210	Mth
HICA (£2,001+)	13.90	10.84	15.196	Mth
PROMNA (£250,001+)	14.90	11.62	16.349	-
American Express Bank Ltd				
c/o American Express Financial Services Limited, 49 The Martlets, Burgess Hill, West Sussex, RH15 9NW 0444 870088				
High Performance Cheque Account				
£1,000-£4,999	12.16	9.50	12.87	Mth

	Gross	Net	Gr Equiv CAR	Int Cr
29-33 Princess Victoria St, Bristol 0272 744720				
Demand Acc.	13.87	10.82	15.02	Qtr
HIMA	13.75	10.73	14.93	Qtr
HIMA £100,000+	14.00	10.92	15.22	Qtr
Client Plus Acc.	13.37	10.43	14.46	Qtr
J. Henry Schroder Wagg & Co Ltd				
120 Cheapside, London EC2V 6DS 071-382 6000				
Special Acc.	13.625	10.62	14.88	Mth
£10,000 and above	13.8750	10.82	15.16	Mth
Western Trust High Interest Cheque Acc				
The Moneycentre, Plymouth PL1 1SE 0752 224141				
£25,000+	14.50	11.31	15.73	Qtr
£5,000-£24,999	14.25	11.12	15.45	Qtr
£1,000-£4,999	14.00	10.92	15.17	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1 7AE 071-606 9485				
High Int Cheque Acc.	14.50	11.31	15.73	Qtr

NOTES—Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr frequency interest credited.

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slightly lower

SPECULATION ABOUT lower US interest rates pushed the dollar down yesterday, but unrest in the Soviet Union and uncertainty about the future of a united Germany gave the US currency background support.

Recent US economic news has indicated the economy is sluggish, leading to suggestions that the Federal Reserve may ease its monetary stance. This view gained further weight when Mr Nicholas Brady, US Treasury Secretary, speaking in San Francisco on Monday, said that the Bush Administration and Congress are working hard to produce a budget agreement. He predicted that a pact would have a dramatic effect on lowering interest rates.

On the other hand, reports of riots in Soviet Central Asia, and comments made in Washington by a Soviet trade official about his country's economic problems, resulting in a severe lack of hard currency, helped prevent any significant weakening of the dollar. The US unit was also underpinned by nervousness surrounding the D-Mark following the lack of agreement at the recent US-Soviet summit on German membership of Nato, and concern about the possible inflationary impact of German monetary union.

At the London close the dollar had fallen to DM1.6905 from DM1.6935; to FFr5.7000 from FFr5.7025; and to SFr1.4350 from SFr1.4385, but was unchanged at Y152.60. The dollar's index declined to 67.8 from 67.9.

Trading among currencies in the European Monetary System was subdued, but the top placed Spanish peseta and Italian lira were around their maximum limits against the weakest placed French franc. There was no sign of intervention by the Bank of Spain yesterday, but recent selling of the peseta by the central bank - to keep the currency within EMS limits - raised Spain's official reserves by $706m to $45.4bn last month. Economists suggested that a cut in interest rates may be required to take the upward pressure off the peseta, but this may be resisted by the Bank of Spain for economic reasons.

The Bank of Italy sold only a small amount of lira at the Milan fixing, buying Ecu20m and DM8.5bn. The French franc rose slightly to L218.14 from L218.13 at the fixing, and improved to L218.25 at the London close. Dealers in Paris reported that the Bank of France sold a small number of lira against the franc, but did not believe this represented active intervention by the French authorities.

Sterling was firm, but market volume was light, with the pound lacking fresh factors. High London interest rates continued to support the currency, against the background of nervousness in central and eastern Europe.

The pound rose 85 points to $1.6840. It also advanced to DM2.8475 from DM2.8375; to SFr2.4175 from SFr2.4100; to FFr9.6000 from FFr9.5550; and to Y257.00 from Y255.75. Sterling's index climbed 0.3 to 89.2.

£ IN NEW YORK

June 5	Latest	Previous Close
£ Spot	1.6775-1.6785	1.6800-1.6810
1 month	0.90-0.89pm	0.94-0.93pm
3 months	2.61-2.58pm	2.79-2.77pm
12 months	9.10-9.00pm	9.35-9.25pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		June 5	Previous
8.30	am	89.0	89.2
9.00	am	89.1	89.1
10.00	am	89.1	89.0
11.00	am	89.1	89.0
Noon		89.1	89.0
1.00	pm	89.1	89.0
2.00	pm	89.1	89.0
3.00	pm	89.2	88.8
4.00	pm	89.2	88.9

CURRENCY RATES

June 5	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.781952	0.721750
U S Dollar	7	1.30758	1.21073
Canadian $	13.32	1.53811	1.42479
Austrian Sch.	6½	N/A	14.4562
Belgian Franc	10¼	N/A	42.2819
Danish Krone	10½	N/A	7.82982
Deutsche Mark	6.00	N/A	2.05450
Neth Guilder	7.00	N/A	2.31275
French Franc	10¼	N/A	6.92480
Italian Lira	13½	N/A	1511.00
Japanese Yen	5¼	199.341	184.964
Norway Krone	8	N/A	7.88491
Spanish Peseta	-	N/A	126.970
Swedish Krona	11	N/A	7.41333
Swiss Franc	6.00	N/A	1.74225
Greek Drach.	20½	N/A	201.394
Irish Punt	-	N/A	0.766919

† European Commission Calculations.
* All SDR rates are for June 4

CURRENCY MOVEMENTS

June 5	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.2	-22.8
U.S Dollar	67.8	-10.3
Canadian Dollar	103.6	+0.6
Austrian Schilling	109.3	+11.5
Belgian Franc	111.1	-2.3
Danish Krone	110.1	+4.5
Deutsche Mark	118.1	+24.0
Swiss Franc	113.5	+22.1
Guilder	114.2	+15.9
French Franc	103.8	-12.5
Lira	100.8	-18.5
Yen	122.0	+51.1

Morgan Guaranty changes average 1980-1982=100 Bank of England Index (Base Average 1985=100)**Rates are for June 4.

OTHER CURRENCIES

June 5	£	$
Argentina	8387.50-8426.10	5000.00-5020.00
Australia	2.1875-2.1895	1.3025-1.3035
Brazil	91.9270-92.9890	54.8000-55.4000
Finland	6.6590-6.6720	3.9680-3.9710
Greece	276.55-281.05	164.60-167.30
Hong Kong	13.0515-13.0650	7.7815-7.7835
Iran	118.20*	69.90*
Korea(Sth)	1199.10-1208.30	710.30-715.90
Kuwait	0.4895-0.4910	0.2915-0.2925
Luxembourg	58.55-58.65	34.75-34.85
Malaysia	4.5335-4.5505	2.7070-2.7090
Mexico	4765.75-4770.30	2841.00-2842.00
N Zealand	2.9045-2.9090	1.7295-1.7315
Saudi Ar	6.2920-6.2980	3.7495-3.7505
Singapore	3.1030-3.1100	1.8490-1.8510
S Af(Cm)	4.4595-4.4710	2.6640-2.6655
S Af(Fn)	6.4290-6.5550	3.8315-3.9065
Taiwan	45.95-46.05	27.40-27.45
U A E	6.1605-6.1680	3.6715-3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

Jun 5	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15⅛-14⅞	15⅛-14⅞	15⅛-15	15 3/16-15 1/16	15 3/16-15 1/16	15⅛-14⅞
US Dollar	8¼-8⅛	8¼-8⅛	8¼-8⅛	8 5/16-8 3/16	8⅜-8¼	8½-8⅜
Can Dollar	13¾-13½	13¾-13½	13⅝-13½	13⅝-13½	13⅝-13½	13¼-12⅞
D Guilder	8-7⅞	8-7⅞	8⅛-8	8¼-8⅛	8⅜-8¼	8 11/16-8 9/16
Sw Franc	9-8¾	9-8¾	8¾-8⅝	8¾-8⅝	8 11/16-8 9/16	8⅞-8¾
Deutschmark	7 15/16-7 13/16	7 15/16-7 13/16	8-7⅞	8⅛-8	8 5/16-8 3/16	8 11/16-8 9/16
Fr Franc	9⅝-9½	9⅝-9½	9⅝-9½	10-9⅞	10⅛-10	10⅜-10¼
Italian Lira	13-11	12-11	11¾-11½	11¾-11½	11¾-11½	12-11¾
Belgian Franc	9 11/16-9 9/16	9 11/16-9 9/16	9 11/16-9 9/16	9 11/16-9 9/16	9⅝-9½	9⅝-9½
Yen	7¼-7⅛	7¼-7⅛	7⅜-7¼	7⅝-7½	7⅝-7½	7⅝-7½
D Krone	10½-10⅜	10½-10⅜	10⅝-10½	10⅝-10½	10 11/16-10 9/16	10 13/16-10 11/16
Asian $Sing	8¼-8⅛	8¼-8⅛	8 5/16-8 3/16	8 5/16-8 3/16	8⅜-8¼	8⅝-8½

Long term Eurodollars: two years 8 11/16-8 9/16 per cent; three years 9-8⅞ per cent; four years 9⅛-9 per cent; five years 9¼-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

June 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6745-1.6860	1.6835-1.6845	0.99-0.97cpm	6.98	2.78-2.75pm	6.57
Canada	1.9725-1.9850	1.9840-1.9850	0.25-0.17cpm	1.28	0.72-0.59pm	1.33
Netherlands	3.19½-3.21	3.20-3.21	1⅞-1¾cpm	6.79	5⅜-5¼pm	6.64
Belgium	58.30-58.75	58.55-58.65	33-21cpm	5.53	84-66pm	5.12
Denmark	10.80¼-10.85¼	10.84¼-10.85¼	4⅜-4orepm	4.78	13-11pm	4.43
Ireland	1.0580-1.0700	1.0600-1.0610	0.45-0.40ppm	4.81	1.20-1.10pm	4.34
W. Germany	2.83¾-2.85	2.84½-2.85	1¾-1⅝pfpm	7.12	4⅞-4¾pm	6.77
Portugal	249.35-250.85	249.75-250.75	7-12cdis	-0.48	35-63dis	-0.81
Spain	175.25-176.20	175.70-176.00	14-7cpm	0.75	39-29pm	0.79
Italy	2086¼-2097¼	2094½-2095½	6½-5½lirepm	3.44	18½-17pm	3.39
Norway	10.91½-10.96	10.95-10.96	4-3½orepm	4.05	10½-9pm	3.57
France	9.56¼-9.61½	9.59½-9.60½	4⅜-4¼cpm	5.31	12-11¾pm	4.92
Sweden	10.26-10.30	10.29-10.30	2⅝-2orepm	2.70	6⅛-5¼pm	2.26
Japan	256-257½	256½-257½	1¾-1⅝ypm	7.90	5-4⅞pm	7.71
Austria	19.97-20.04	20.01-20.04	12¼-10½gropm	6.68	35¼-30⅝pm	6.58
Switzerland	2.41-2.42¼	2.41¾-2.42¾	1⅜-1¼cpm	6.52	3¾-3⅝pm	6.11
ECU	1.3830-1.3850	1.3835-1.3845	0.60-0.57cpm	5.07	1.63-1.58pm	4.64

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.31-5.26cpm 12 month 9.40-9.30cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6745-1.6860	1.6835-1.6845	0.99-0.97cpm	6.98	2.78-2.75pm	6.57
Ireland†	1.5770-1.5870	1.5845-1.5855	0.32-0.27ppm	2.24	0.99-0.89pm	2.38
Canada	1.1735-1.1775	1.1750-1.1760	0.55-0.58cdis	-5.76	1.55-1.60dis	-5.35
Netherlands	1.8990-1.9115	1.9025-1.9035	0.01pm-0.02cdis	-0.09	0.01-0.03dis	-0.04
Belgium	34.70-34.95	34.75-34.85	1.50-7.50cdis	-1.55	8.00-18.00dis	-1.49
Denmark	6.44-6.46½	6.44¼-6.44¾	1.10-1.40oredis	-2.32	3.10-4.00dis	-2.20
W Germany	1.6855-1.6985	1.6900-1.6910	0.04-0.02pfpm	0.21	0.06-0.03pm	0.11
Portugal	148.65-149.00	148.65-148.75	83-93cdis	-7.08	285-300dis	-7.85
Spain	104.30-104.90	104.30-104.40	53-57cdis	-6.30	156-162dis	-6.05
Italy	1240-1248½	1243¾-1244¼	3.50-4.00liredis	-3.61	9.70-10.40dis	-3.23
Norway	6.49½-6.52	6.50¼-6.50¾	1.50-1.75oredis	-2.99	4.65-5.25dis	-3.04
France	5.68½-5.72¼	5.69¾-5.70¼	0.80-0.85cdis	-1.73	2.38-2.48dis	-1.70
Sweden	6.10-6.12¼	6.11-6.11½	2.10-2.25oredis	-4.26	6.50-7.00dis	-4.41
Japan	152.30-152.95	152.55-152.65	0.15-0.13ypm	1.10	0.40-0.37pm	1.01
Austria	11.86¾-11.94	11.91-11.91½	0.10pm-0.30grdis	-0.20	0.10-1.20dis	-0.22
Switzerland	1.4315-1.4410	1.4345-1.4345	0.07-0.10cdis	-0.71	0.15-0.21dis	-0.50
ECU	1.2100-1.2190	1.2150-1.2160	0.20-0.19cpm	1.93	0.60-0.57pm	1.93

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.2819	+0.27	+0.27	±1.5508
Danish Krone	7.79845	7.82982	+0.40	+0.40	±1.6453
German D-Mark	2.04446	2.05450	+0.49	+0.49	±1.1762
French Franc	6.85684	6.92480	+0.99	+0.99	±1.3618
Dutch Guilder	2.30358	2.31275	+0.40	+0.40	±1.5272
Irish Punt	0.763159	0.766919	+0.49	+0.49	±1.6689
Italian Lira	1529.70	1511.00	-1.22	-1.22	±1.5162
Spanish Peseta	132.889	126.970	-4.45	-4.45	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 5	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.684	2.848	257.0	9.600	2.418	3.205	2095	1.985	58.60
$	0.594	1	1.691	152.6	5.701	1.436	1.903	1244	1.179	34.80
DM	0.351	0.591	1	90.24	3.371	0.849	1.125	735.6	0.697	20.58
YEN	3.891	6.553	11.08	1000.	37.35	9.409	12.47	8152	7.724	228.0
F Fr.	1.042	1.754	2.967	267.7	10	2.519	3.339	2182	2.068	61.04
S Fr	0.414	0.696	1.178	106.3	3.970	1	1.325	866.4	0.821	24.23
H Fl.	0.312	0.525	0.889	80.19	2.995	0.754	1	653.7	0.619	18.28
Lira	0.477	0.804	1.359	122.7	4.582	1.154	1.530	1000.	0.947	27.97
C $	0.504	0.848	1.435	129.5	4.836	1.218	1.615	1055	1	29.52
B Fr.	1.706	2.874	4.860	438.6	16.38	4.126	5.469	3575	3.387	100

Yen per 1,000. French Fr. per 10. Lira per 1,000. Belgian Fr. per 100

MONEY MARKETS

Rates little changed

INTEREST RATES were little changed on the London money market yesterday, and short sterling futures were virtually becalmed on Liffe in very quiet trading. Three-month interbank was unchanged at 15⅛-15 1/16 per cent, while 12-month funds firmed slightly to 15 1/16-14 15/16 per cent from 15-14⅞.

September short sterling opened easier at 85.32 and after trading in a narrow range closed at 85.30, against 85.34 previously.

The Bank of England initially forecast a day-to-day credit shortage of £500m on the money market, but revised this to £450m at noon. Total assistance of £361m was provided.

Before lunch the authorities bought £218m bank bills in band 2 at 14¾ per cent. In the afternoon another £143m bank bills were purchased in band 2 at 14¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £604m, with bank balances below target absorbing £210m. These outweighed Exchequer transactions adding £240m to liquidity and a fall in the note circulation of £85m.

In Tokyo the Bank of Japan indicated that it is opposed to any sudden fall in money market rates by recalling Y700bn in outstanding loans to banks. This mopped up a market surplus of around Y650bn and forced banks to reduce their reserves by Y50bn. The central bank sent a similar signal to the market on Monday by not lending money to the major banks, forcing them to draw down Y950m in reserves to help offset a large credit shortage.

In Frankfurt call money was unchanged at 7.85 per cent as banks had ample liquidity at the start of the month. Conditions are expected to remain reasonably comfortable for the rest of this week. The Bundesbank offered funds to the money market by setting a two-tranche tender of 28 days and 56 days for securities repurchase agreements at variable bid rates. Dealers expect the central bank to roughly replace the DM29.1bn draining from the banking system today as two earlier pacts expire.

In Brussels the Belgian National Bank cut the interest rate on four month paper, issued by the Securities Regulation Fund, by 0.10 per cent to 9.75 per cent. This brings the rate into line with one, two and three-month Treasury bills.

UK clearing bank base lending rate
15 per cent
from October 5

FT LONDON INTERBANK FIXING

(11.00 a.m. June 5) 3 months US dollars		6 months US Dollars	
bid 8 5/16	offer 8 7/16	bid 8⅜	offer 8½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾
Fed funds	8¼
Fed funds at intervention	-

Treasury Bills and Bonds

One month	7.03	Three year	8.35
Two month	7.53	Four year	8.41
Three month	7.96	Five year	8.38
Six month	8.01	Seven year	8.47
One year	8.07	10-year	8.44
Two year	8.31	30-year	8.43

June 5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.80-7.90	7.85-8.00	8.00-8.15	8.15-8.30	8.40-8.55	8.00
Paris	9 11/16-9 13/16	9 11/16-9 13/16	-	9 13/16-10 1/16	-	9.50
Zurich	8⅝-8½	8⅝-8⅞	-	8⅞-8¾	-	-
Amsterdam	8.12-8.25	8.05-8.15	-	8.18-8.28	-	-
Tokyo	7¼-7⅛	7¼-7⅛	-	7¼-7⅛	-	-
Milan	11½-11¾	11¾-12¼	-	11¾-12¼	-	-
Brussels	7.55	9¼-9⅞	-	9⅞-9⅞	-	-
Dublin	10¾-11	10¾-11	11 1/16-11 3/16	11½-11¾	11 1/16-11 3/16	-

LONDON MONEY RATES

Jun 5	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅞	14⅞	15	15⅛	15⅛	15⅛
Interbank Bid	12	14¾	14 13/16	15 1/16	15 1/16	14 13/16
Sterling CDs	-	-	14 15/16	15 1/16	15 1/16	14 15/16
Local Authority Deps.	14¼	14¾	14 15/16	15 1/16	15 1/16	14⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14½	14⅞	14 13/16	14⅞	-	-
Company Deposits	-	-	15	15⅛	15⅛	15
Finance House Deposits	-	-	15	15⅛	15⅛	15
Treasury Bills (Buy)	-	-	14 11/16	14½	-	-
Bank Bills (Buy)	-	-	14 13/16	14 13/16	14⅝	-
Fine Trade Bills (Buy)	-	-	15⅜	15⅜	14 13/16	-
Dollar CDs	-	-	8.22	8.25	8.32	8.42
SDR Linked Dep Offer	-	-	8⅞	9⅛	9⅛	9⅛
SDR Linked Dep Bid	-	-	8¾	8 13/16	9	9¼
ECU Linked Dep. Offer	-	-	10⅛	10⅛	10⅛	10¼
ECU Linked Dep. Bid	-	-	9 13/16	10 1/16	10 1/16	10½

Treasury Bills (sell): one-month 14⅛ per cent; three months 14 3/32 per cent; Bank Bills (sell): one-month 14 13/32 per cent, three months 14 13/32 per cent; Treasury Bills; Average tender rate of discount 14.4826 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31, 1990. Agreed rates for period June 26, 1990 to July 24, 1990, Scheme I: 15.91 p.c., Schemes II & III: 16.44 p.c. Reference rate for period May 1, 1990 to May 31, 1990. Scheme IV&V: 15.201 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from June 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989, Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
80	4-24	5-17	0-26	0-55
81	3-37	4-35	0-39	1-09
82	2-54	3-56	0-56	1-30
83	2-14	3-18	1-16	1-56
84	1-43	2-47	1-45	2-21
85	1-16	2-16	2-18	2-54
86	0-58	1-53	2-60	3-27
87	0-40	1-31	3-42	4-05

Estimated volume total, Calls 1987 Puts 1312
Previous day's open int. Calls 9696 Puts 7551

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
91	3-35	4-08	0-29	1-18
92	2-51	3-31	0-45	1-41
93	2-08	2-58	1-02	2-04
94	1-34	2-26	1-28	2-36
95	1-04	1-61	1-62	3-07
96	0-46	1-37	2-40	3-47
97	0-29	1-16	3-23	4-26
98	0-18		4-12	

Estimated volume total, Calls 250 Puts 5
Previous day's open int. Calls 739 Puts 592

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8100	2.46	2.83	0.51	1.01
8150	2.08	2.52	0.63	1.20
8200	1.75	2.22	0.80	1.40
8250	1.46	1.95	1.01	1.63
8300	1.19	1.71	1.24	1.89
8350	0.97	1.48	1.52	2.16
8400	0.77	1.28	1.82	2.46
8450	0.61	1.09	2.16	2.77

Estimated volume total, Calls 1996 Puts 2268
Previous day's open int. Calls 19606 Puts 18336

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9075	0.99	0.69	0	0.04
9100	0.74	0.48	0	0.08
9125	0.49	0.31	0	0.16
9150	0.25	0.18	0.01	0.28
9175	0.04	0.10	0.05	0.45
9200	0.01	0.05	0.27	0.65
9225	0	0.02	0.51	0.87
9250	0	0.01	0.76	1.11

Estimated volume total, Calls 174 Puts 40
Previous day's open int. Calls 11543 Puts 14714

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9075	0.94	1.04	0	0.01
9100	0.69	0.80	0	0.02
9125	0.44	0.57	0	0.04
9150	0.20	0.37	0.01	0.09
9175	0.04	0.20	0.10	0.17
9200	0	0.09	0.31	0.31
9225	0	0.04	0.56	0.51
9250	0	0.01	0.81	0.73

Estimated volume total, Calls 0 Puts 50
Previous day's open int. Calls 6161 Puts 2683

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
8400	0.90	1.32	0	0.02
8425	0.65	1.09	0	0.04
8450	0.41	0.86	0.01	0.06
8475	0.18	0.65	0.03	0.10
8500	0.03	0.45	0.13	0.15
8525	0.01	0.30	0.36	0.25
8550	0	0.19	0.60	0.39
8575	0	0.12	0.85	0.57

Estimated volume total, Calls 1206 Puts 2499
Previous day's open int. Calls 65865 Puts 56503

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Jun	83-12	84-03	83-07	83-26
Sep	83-31	84-24	83-28	84-13
Dec	84-13	85-04	85-04	85-05

Estimated volume 22411 (15003)
Previous day's open int. 38377 (39191)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Jun	94-11	94-24	94-12	94-13
Sep	94-03	94-19	93-30	94-06
Dec	93-27			94-00

Estimated volume 3817 (1265)
Previous day's open int. 3584 (3534)

6% NOTIONAL GERMAN GOVT. BOND
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Jun	83.16	83.95	83.10	83.88
Sep	82.95	83.60	82.87	83.54
Dec	82.82	83.39	82.98	83.41

Estimated volume 42165 (10375)
Previous day's open int. 62907 (64722)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Jun	95.68	95.83	95.70	95.74
Sep	95.98	96.12	95.90	96.01
Dec				

Estimated volume 228 (104)
Previous day's open int. 1048 (1052)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Jun	84.90	84.92	84.90	84.93
Sep	85.30	85.35	85.29	85.34
Dec	85.97	86.07	85.95	86.07
Mar	86.62	86.74	86.62	86.74
Jun	87.20	87.29	87.20	87.30
Sep	87.68	87.76	87.71	87.78
Dec	87.97	88.04	87.97	88.04
Mar	88.02	88.08	88.03	88.08

Est. Vol. (inc. figs. not shown) 19624 (15296)
Previous day's open int. 185225 (185889)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Jun	91.69	91.70	91.68	91.69
Sep	91.78	91.80	91.76	91.79
Dec	91.69	91.72	91.67	91.71
Mar	91.60	91.62	91.57	91.60
Jun	91.44			91.42
Sep	91.37			91.36
Dec	91.22			91.21
Mar	91.17			91.16

Est. Vol. (inc. figs. not shown) 4682 (1854)
Previous day's open int. 40349 (40483)

THREE MONTH EUROMARK
DM 1m points of 100%

	Close	High	Low	Prev.
Jun	91.74	91.77	91.73	91.75
Sep	91.40	91.53	91.39	91.52
Dec	91.20	91.28	91.18	91.27
Mar	91.10	91.14	91.10	91.16
Jun	91.06	91.13	91.10	91.12
Sep	91.07	91.12	91.07	91.13
Dec	91.01			91.07
Mar	91.01			91.07

Estimated volume 13291 (3290)
Previous day's open int. 72300 (73175)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Jun	89.73	89.73	89.71	89.77
Sep	89.67	89.68	89.67	89.72
Dec	89.67	89.72	89.72	89.72
Mar	89.67			89.77

Estimated volume 101 (27)
Previous day's open int. 3786 (3786)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Jun	2423.0	2441.0	2397.0	2422.0
Sep	2472.5	2488.0	2448.0	2469.0
Dec	2515.0			2512.0

Estimated volume 10536 (5163)
Previous day's open int. 24584 (23284)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6840	1.6938	1.6564	1.6312	1.5905

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.6748	1.6760	1.6708	1.6710
Sep	1.6482	1.6496	1.6436	1.6438
Dec	-	1.6200	-	1.6188

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Jun	94-24	94-26	94-11	94-14
Sep	94-16	94-19	94-03	94-07
Dec	94-08	94-10	93-27	93-30
Mar	-	94-00	93-30	93-23
Jun	93-24	93-24	93-24	93-16
Sep	93-17	93-17	93-06	93-09
Dec	-	-	-	93-03
Mar	-	-	-	92-29
Jun	-	-	-	92-23
Sep	-	-	-	92-17

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Jun	92.35	92.35	92.35	92.33
Sep	92.64	92.64	92.62	92.61
Dec	92.65	92.65	92.65	92.63
Mar	-	-	-	92.63
Jun	-	92.45	-	92.43

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Jun	0.6954	0.6962	0.6936	0.6958
Sep	0.6947	0.6953	0.6926	0.6950
Dec	-	0.6950	0.6935	0.6949
Mar	-	-	-	0.6959

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
1.550	12.20	12.20	12.20	12.40	-	-	0.15	0.51
1.575	9.70	9.70	9.70	9.90	-	-	0.38	0.95
1.600	7.30	7.30	7.30	7.40	-	0.18	0.79	1.60
1.625	4.80	4.80	4.93	5.23	-	0.58	1.45	2.47
1.650	2.37	2.84	3.08	3.65	0.23	1.33	2.28	3.63
1.675	0.77	1.52	1.88	2.43	1.11	2.53	3.66	5.10
1.700	0.15	0.85	1.02	1.55	2.94	4.26	5.38	6.81

Previous day's open int: Calls N/A Puts N/A (All currencies)
Previous day's volume: Calls N/A Puts N/A (All currencies)

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Jun	0.6549	0.6555	0.6543	0.6548
Sep	0.6565	0.6570	0.6560	0.6564
Dec	0.6582	0.6582	0.6582	0.6581

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Jun	0.5898	0.5904	0.5887	0.5910
Sep	0.5898	0.5902	0.5888	0.5910
Dec	0.5897	0.5897	0.5888	0.5906

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Jun	91.68	91.70	91.68	91.67
Sep	91.79	91.81	91.78	91.78
Dec	91.71	91.73	91.70	91.70
Mar	91.63	91.64	91.61	91.60
Jun	91.46	91.47	91.44	91.43
Sep	91.39	91.39	91.37	91.36
Dec	91.24	91.24	91.22	91.21
Mar	91.19	91.19	91.17	91.16

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar	-	382.80	382.60	382.75
Jun	368.75	368.80	368.40	368.75
Sep	373.70	373.80	375.45	373.75

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Close	Change	High	Low	Yield	Open int.
June	102.36	101.64	-0.30	102.38	101.62	9.71	37,938
September	102.34	101.66	-0.30	102.40	101.62	9.70	26,886
December	102.38	102.16	+0.14	102.38	102.16	9.62	5,015
March	-	-	-	-	-	-	1,179

Estimated volume 56,494 Total Open Interest 71,018

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls Sept.	Calls Dec.	Calls March	Puts Sept.	Puts Dec.	Puts March
98	-	-	-	0.18	-	-
99	-	-	-	0.28	-	-
100	-	-	-	0.52	-	-
101	-	-	-	0.85	-	-
102	0.91	-	-	1.26	-	-
103	0.55	1.11	-	1.82	-	-
Open int	84,216	7,885	700	63,660	6,222	1,100

Estimated volume 14,927 Total Open Interest 163,783

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int
June	90.03	89.95	-0.03	90.05	89.94	10.05	11,194
September	89.92	89.84	-0.04	89.95	89.83	10.16	10,224
December	89.88	89.84	-	89.94	89.84	10.16	2,928
March	89.90	89.89	+0.09	89.90	89.88	10.11	194

Estimated volume 7,490 Total Open Interest 24,540

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int
June	2090.0	2061.0	-20.0	2092.0	2060.0	5,279
July	2088.0	2073.0	-8.0	2089.0	2069.0	621
August	2092.0	2086.0	-4.0	2092.0	2086.0	-
September	-	-	-	-	-	10

Estimated volume 4,297 Total Open Interest 5,910

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe G'rantee	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Beneficial Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15½
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
Co-operative Bank	*16	Nat Bk. of Kuwait	15		

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GRANVILLE
SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343	288	Ass. Brit. Ind. Ordinary	288	-2	10.3	3.6	7.8
38	19	Armitage and Rhodes	25	0	-	-	-
210	135	Bardon Group (SE)	146	0	4.3	2.9	14.2
125	96	Bardon Group Cv Pref (SE)	96	0	6.7	7.0	-
123	74	Bray Technologies	76	-1	5.9	7.8	6.7
110	82	Bremhill Conv. Pref	82	0	11.0	13.4	-
315	285	CCL Group Ordinary	310	0	18.7	6.0	2.4
176	163	CCL Group 11% Conv.Pref	163	0	14.7	9.0	-
225	140	Carbo Plc (SE)	210	0	7.6	3.6	12.4
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	0.125	*Magnet Gp Non-VotingA Cnv	0.125	0	-	-	-
5	0.125	*Magnet Gp Non-VotingB Cnv	0.125	0	-	-	-
130	80	Isis Group	80	0	8.0	10.0	4.6
145	58	Jackson Group (SE)	108xd	0	3.6	3.3	12.6
340	243	Multihouse NV (AmstSE)	330	0	-	-	-
158	98	Robert Jenkins	135	0	10.0	7.4	4.9
467	332	Scruttons	332	-2	20.0	6.0	9.2
165	106	Unistrut Europe Conv Pref	160xd	0	9.3	5.8	-
395	245	Veterinary Drug Co. PLC	246	0	22.0	8.9	6.6
376	278	W.S Yeates	376	1	16.2	4.3	31.3

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of the ISE. Other securities listed above are dealt in subject to the rules of TSA
These securities are dealt in strictly on a matched bargain basis. Neither Independent Companies Exchange Limited nor Granville Davies Limited are market makers in these securities
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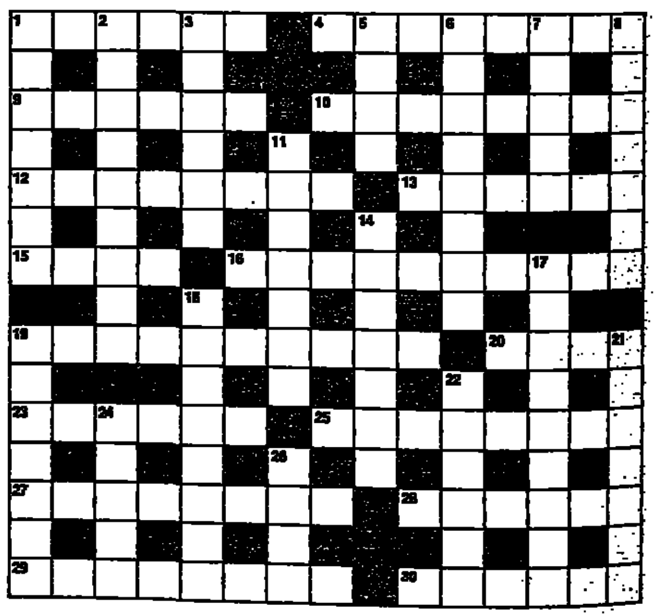
JOTTER PAD

CROSSWORD

No.7,256 Set by FETTLER



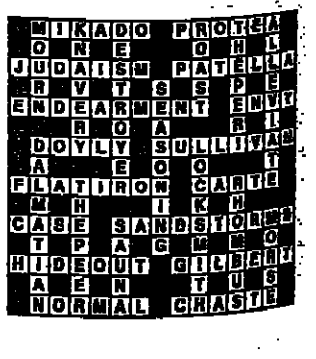
ACROSS

1 Pacemakers initially fail to advance (6)
4 See, plying oar, gaunt old Greek voyager (8)
9 Idiots are numberless; there are lots of them (6)
10 Claimed fellow died in the act .... (8)
12 .... no longer playing part that's demanding (8)
13 Pen, Jamie's left over in class (6)
15 To revert to the sound of a horn (4)
16 One watching the box; note sly look when absorbing Panorama (10)
19 Tardive? Maybe, yet I've finally produced a by-product (10)
20 Staunch supporter of wine glass ... (4)
23 .... having contents lacking in sin? To the contrary (6)
25 What's got master mended? (8)
27 Worried? Stop it; I'm one who's hopeful (8)
28 Buckingham, for example, is a locality in which one resides (6)
29 Drone off key in your familiar dirge (8)
30 Plot escape from madhouse (6)

DOWN

1 An affirmation in favour of trial (7)
2 Try adapting a rude oven (9)
3 Results are still on the way up (6)
5 Regretted sounding boorish (4)
6 Speaker expressing joy in story set to music (8)
7 Reptile seen in summer (5)
8 Trifler, having no women, is of little account (7)
11 Originates in orifices (7)
14 One corrupt, turns traveller green (7)
17 Force rain to drop? (9)
18 All of us are one! (8)
19 Divert lass's tipple (7)
21 When short hols are trimmed perhaps? (3-4)
22 Thin spread – namely, what's found at the bottom of the barrel (6)
24 Come in to register .... (5)
26 .... dues illegally utilised (4)

Solution to Puzzle No.7,255



WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices June 5

Quotations in cents unless marked $.

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INDICES

NEW YORK

DOW JONES	June 4	June 1	May 31	May 30	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2935.19	2900.97	2876.66	2878.56	2935.19 (4/6)	2543.24 (30/1)	2935.19 (4/6/90)	41.22 (2/7/32)
Home Bonds	90.68	90.61	90.26	90.16	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1207.85	1190.15	1171.53	1163.76	1207.85 (4/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.42	211.71	211.39	212.15	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2943.69 (2919.90) Low 2883.98 (2868.69)

STANDARD AND POOR'S	June 4	June 1	May 31	May 30	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	367.40	363.16	361.23	360.86	367.40 (4/6)	322.98 (30/1)	367.40 (4/6/90)	4.40 (1/6/32)
Industrials	428.34	424.05	422.14	421.72	428.34 (4/6)	371.92 (30/1)	428.34 (4/6/90)	3.62 (21/6/32)
Financial	31.15	30.39	29.94	29.82	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	200.21	198.03	196.94	196.75	200.21 (4/6)	178.43 (30/1)	200.21 (4/6/90)	4.46 (25/4/42)
Amex Mkt. Value	364.40	363.83	363.06	362.91	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	465.61	462.12	458.97	458.77	465.61 (4/6)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	May 25	May 18	May 11	year ago (approx.)
Dow Industrial Div. Yield	4.01	3.99	3.93	3.34

	May 30	May 23	May 16	year ago (approx.)
S & P Industrial div. yield	2.93	2.94	2.98	3.18
S & P Indl. P/E ratio	16.89	16.08	15.49	12.79

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
LA Gear	3,950,900	30½	- ¼
BCE Inc.	2,447,600	34¼	+ ⅛
Philip Morris	2,085,200	44⅞	+ 1⅛
Am. Express	2,077,900	31⅝	+ 1⅞
Wal-Mart	2,008,400	60⅝	+ 2¼
Fst.Interstate	1,938,200	44⅞	+ 6¼
Fannie Mae	1,882,700	43⅝	+ 2
Morgan (J.P.)	1,705,000	39½	+ ⅝
Upjohn	1,648,700	40¾	+ ⅝
Gen. Motors	1,614,500	50⅜	+ ⅝

TRADING ACTIVITY

† Volume Millions	June 4	June 1	May 31
New York	175.520	187.860	165.690
Amex	11.798	13.732	14.707
NASDAQ	142.167	168.058	157.258
Issues Traded	2,010	2,020	2,005
Rises	1,101	978	783
Falls	463	573	675
Unchanged	446	469	547
New Highs	83	72	66
New Lows	27	17	21

CANADA

TORONTO	June 4	June 1	May 31	May 30	1990 HIGH	1990 LOW
Metals & Minerals	3258.40	3239.10	3217.20	3192.00	3453.05 (4/1)	2850.80 (23/4)
Composite	3601.50	3593.00	3581.99	3565.60	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1868.57	1859.94	1852.09	1844.24	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	June 5	June 4	June 1	May 31	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1528.8	1524.9	1513.8	1512.0	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	749.1	750.1	748.5	746.2	860.8 (5/1)	715.3 (1/5)
AUSTRIA						
Credit Aktien (30/12/84)	585.24	(c)	582.17	579.66	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6344.27	(c)	6304.75	6281.66	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	(c)	(c)	(u)	377.37	380.47 (28/3)	352.96 (25/4)
FINLAND						
Unitas General (1975)	575.7	577.1	577.2	579.7	677.3 (23/1)	562.2 (11/5)
FRANCE						
CAC General (31/12/82)	557.41	(c)	560.00	562.15	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	2069.43	(c)	2087.60	2107.51	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	794.23	(c)	782.21	778.43	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2300.1	(c)	2265.0	2254.3	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1876.69	(c)	1856.95	1844.81	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3159.86	3153.22	3159.17	3132.32	3159.17 (1/6)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1709.92	(c)	1710.25	1704.73	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	(u)	748.37	748.99	746.73	748.99 (1/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	32921.62	32925.37	32891.12	33138.80	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2424.93	2427.24	2426.55	2435.74	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4013.17	3992.94	3974.62	3938.28	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	586.50	583.82	586.54	583.87	622.20 (20/2)	518.53 (2/5)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	268.4	(c)	268.7	267.7	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	200.0	(c)	200.3	199.6	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	859.85	(c)	858.57	858.73	859.05 (5/6)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	773.50	800.44	817.30	817.86	1168.70 (21/3)	773.50 (5/6)
SINGAPORE						
SES All-Singapore (2/4/75)	433.51	433.78	434.69	435.24	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1532.0a	1517.0	1610.0	(c)	2230.0 (16/1)	1517.0 (4/6)
JSE Industrial (28/9/78)	2987.0a	2981.0	2961.0	(c)	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	887.97	814.40	803.64	797.95	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	288.06	286.63	283.96	284.85	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1288.50	(c)	1269.50	1265.70	1317.88 (12/1)	1127.28 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	825.1	(c)	822.1	811.5	825.1 (5/6)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	7339.71	7347.74	7664.48	7290.88	12495.34 (10/2)	6146.44 (25/5)
THAILAND						
Bangkok SET (30/4/75)	1018.86	1032.75	1012.79	1000.71	1032.75 (4/6)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	526.8	528.0	525.1	571.0 (4/1)	468.3 (2/4)

**Saturday May 26: Taiwan Weighted Price: 7857.01. Korea Comp Ex. 804.85

a Subject to official recalculation.

Aprè Base values of all indices are 100 except Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday June 5 1990

	Stocks Traded	Closing Prices	Change on day
MHI	14.6m	1,070	-20
Nippon Oil	18.3m	1,400	+10
Mitsui Eng&Shp	12.6m	1,000	-20
Tobishima	11.2m	1,880	+10
NKK	11.1m	682	-8
IHI	10.9m	1,190	-40
Nippon Mining	8.9m	1,060	-20
Konica	7.8m	1,750	+80
Nippon Steel	7.6m	615	-5
Hitachi	6.7m	1,580	+20

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. South African prices quoted in Rand.

3pm prices June 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	20⅛	AAR	.48	2.2	13	366	21⅜	21⅛	21⅛	– ⅛
9¼	8	ACM n	1.01	11.		208	9⅛	9	9	+ ⅛
11⅝	9⅜	ACMIn	1.26	12.		332	10⅛	10⅛	10⅛	
9⅞	7⅛	ACM M n	1.01	13.		225	8	7⅞	7⅞	
12⅛	10	ACMMM				116	11	10⅞	10⅞	– ⅛
11½	9⅜	ACM Sc	1.26	13.		1042	10	9⅞	9⅞	
9⅛	8⅛	ACMSp	1.01	12.		533	8⅜	8¼	8¼	– ⅛
24½	14⅝	AL Lab	.18	.7	21	462	u24⅝	24	24	– ⅜
5¼	2⅛	AM Intl				195	2¼	2⅛	2¼	
23⅛	10¼	AM In pf	2	16.		126	13	12⅛	12⅞	+ ⅛
107¼	52½	AMR			13	17747	70¼	68½	69¼	+ 1¼
4¼	3	ARX				41	3½	3⅜	3⅜	– ⅛
72¼	40⅛	ASA	3a	6.4		1034	46⅞	46⅛	46¼	+ ⅜
38⅞	27⅜	AbtLab s	.84	2.2	19	4344	38⅛	37⅜	37⅞	– ¼
16⅝	11¼	Abitibi g	.50			12	13⅛	13⅛	13⅛	
13	8⅝	AcmeC	.40	4.7	10	277	8⅝	d 8½	8½	– ¼
9⅛	7⅜	AcmeE	.32	3.6	11	49	9⅛	9	9	
41⅞	28⅛	Acuson			24	867	40⅝	39¼	40⅛	+ 1⅛
16½	13¼	AdaEx	2.08e	13.		129	16⅛	16¼	16⅜	+ ⅛
15⅝	9⅜	Adobe				125	12½	12¼	12½	+ ¼
20¼	17¾	Adob pf	1.84	9.6		10	19¼	19¼	19¼	– ⅛
21⅞	20¼	Adob pf	2.40	12.		6	20⅜	20⅜	20⅜	
11⅛	6⅞	AMD			22	13851	10½	10	10¼	– ½
35	28¼	AMD pf	3	9.4		6	31⅞	31⅞	31⅞	
10⅛	4⅛	Advest	.16	3.1	64	395	5¼	4⅞	5⅛	+ ⅜
62½	45¼	AetnLf	2.76	5.1	9	1475	54⅜	53⅞	54¼	+ ⅜
14	9¼	AflPb	.24	2.3		326	10⅝	10½	10⅝	+ ⅛
25	16⅛	Ahmans	.88	4.0	10	3180	22⅛	21⅞	22	+ ¼
[illegible]										

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
14¾	7¼	WyleLb	.28	2.0	15	273	13⅞	13¾	13⅞	
		– X–Y–Z –								
60½	45⅞	Xerox	3	6.3	8	3694	47⅞	47	47⅝	+ ⅝
49	44¾	Xerox pf4.13		8.9		3	47	46½	46½	− ½
35¾	21¼	XTRA	.48a	1.9		59	24¾	24⅝	24⅝	− ⅛
25	18¾	XTRA pf1.94		9.4		69	20⅝	20½	20⅝	− ⅛
4¾	2	Zapata				2474	2¼	2	2⅛	
20½	7⅞	ZenithE				2823	9⅛	8⅞	9	
21½	13½	ZenNtl	.88	6.6	9	36	15⅝	15⅜	15⅜	+ ⅜
9¾	6⅝	Zenix	.90	15.		741	6⅛	6	6	− ⅛
18½	12⅞	Zero s	.40	2.6	15	175	15½	15	15½	+ ⅝
47⅞	34	Zurnin	.76	1.8	21	1124	u48½	48	48¼	+ ⅝
12⅝	10½	Zweig	1.21e	10.		371	11⅞	11¾	11⅞	
10	9	ZweigTl	.96	10.		x1805	9⅛	9	9⅛	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices June 5

[illegible]

NASDAQ NATIONAL MARKET

3pm prices June 5

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
ASW Bd		28	141	32	31½	32	+ ½
ACC Cp	.16	30	182	14½	14	14¼	− ¼
ADC		15	155	22¼	22	22½	
ADT		11	2570	32⅜	32⅛	32⅛	
ASK		16	152	9⅝	9⅜	9½	+ ⅛
AST		25	1463	25⅝	24¾	25	− ⅝
Actelm s		20	4297	14½	13¼	14½	+1⅛
AcmeSt		6	4	17½	17½	17½	
ActARt	t	20	106	7⅞	7¾	7⅞	
Acxiom		19	429	21½	21	21½	+ ½
AdacLb	.04j	6	312	1¾	1 11-16	1 11-16	
Adapt		14	2296	20¼	19¾	20¼	+ ¾
Adlngt s		13	71	18¼	17¾	17¾	− ½
AdiaSv	.16	13	135	22	21	21¾	+ ¾
AdobeS	.21e	18	26115	33¼	30¼	31½	−1¾
AdvCir s		8	359	10⅞	10⅛	10⅞	+ ⅛
AdMkSv		15	340	5⅞	5⅜	5¾	+ ¼
AdvPoly			633	6¼	6	6	
AdvTel		18	2025	20	19⅝	19⅞	+ ⅛
Advanta	.10	10	366	14¾	14⅜	14⅝	+ ⅛
AdvoSy		12	136	11	10⅞	10⅞	− ⅛
Aegon	2.46a	6	21	67⅝	67¼	67¼	− ⅛
Aerovx			297	4⅝	4⅜	4½	
AffBsh		20	131	12½	12¼	12¼	− ⅛
AgncyR	.68t	20	1256	13¾	13½	13¾	+ ¼
Agnico g	.20		181	6⅞	6⅝	6⅞	+ ¼
AirMd		31	41	5⅛	5	5	
AirWisc	t	77	268	11½	11⅛	11½	+ ⅛
Airtran	.16	13	19	7⅝	7½	7½	− ¼
Akzo	1.79e	6	1160	32¼	31⅞	31⅞	− ⅛
Aldus		29	1982	26½	25¾	26⅝	+ ⅞
AlexBr	.22	13	4475	u15⅞	15¼	15⅞	+ ½
AlexBld	.88	13	674	32¾	32	32½	+ ⅜
AlegW		10	72	9⅛	8⅞	9	− ⅛
AlnOrg	.48a	11	10	35¼	35¼	35¼	+ ¼

[illegible]

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AMERICA

Hopes of interest rate cut help Dow show resilience

Wall Street

AFTER moving higher in early trading, along with the Treasury bond market, equities then followed bonds lower again to stand a little weaker at midsession, *writes Janet Bush in New York.*

At 1:30 pm, the Dow Jones Industrial Average was quoted 3.88 down at 2,931.31 on active volume of 128m shares. The Dow had added more than 11 points in the first 15 minutes of the session, reflecting a rise in bond prices of nearly ½ point at the long end of the yield curve, following the index's surge of 34.22 on Monday to close at a record 2,935.19.

The New York Stock Exchange Composite index of more than 1,700 stocks, which joined the Dow Jones Industrial Average and the Standard & Poor's 500 in hitting a record on Monday when it closed at 200.21, was marginally higher at midsession at 200.29.

In spite of coming off its early highs, the market still showed considerable resilience, given the rapidity of its recent rally and the fact that few commentators believe that there is much upside potential beyond the 3,000 level on the Dow.

There appear to be two reasons for the buying interest. First, there is optimism that interest rates are heading lower, in spite of any signs from the US Federal Reserve. The central bank's open market operations in the banking system have signalled that policy is still on hold, with the target for Federal Funds still at 8¼ per cent.

Second, institutional investors have unusually high levels of cash which have not been put to work either in the equity or fixed income markets.

According to a survey by the Investment Company Institute taken in April, stock mutual funds had a record 12.9 per cent of their total assets in cash at the end of the month.

Financial stocks continued to perform well on anticipation of lower interest rates. In particular, Primerica, the financial services conglomerate, jumped $1⅛ to $34⅛.

Security Pacific added $1⅛ to $43¾, First Chicago gained $1¼ to $35 and Bank of Boston rose $⅝ to $15⅝.

Transportation stocks advanced on hopes of lower crude oil prices. There were reports overnight that Saudi Arabia had adjusted its pricing formula downwards for some customers.

Airlines did particularly well. AMR, the holding company for American Airlines, was up $2 at $69⅝, Delta Airlines added $⅞ to $80¼ and USAir edged $¼ higher to $30.

Oil issues were mixed. Chevron gained $⅛ to $71, Mobil fell $⅜ to $63⅛. Exxon was unchanged at $48¼ and Atlantic Richfield dropped $⅝ to $118¼.

Among featured individual stocks was Kellogg, which jumped $2⅜ to $71 after Goldman Sachs added the issue to its list of recommended stocks.

Philips Industries, a manufacturer of components for homes and recreational vehicles, gained $3⅝ to $17⅝ on the news that Tompkins of the UK had agreed in principle to acquire the company for $18.50 a share, or $550m.

Fluor dropped $1¾ to $47 after reporting better-than-expected net income for the fiscal second quarter ended April 30. Analysts noted that about half of its earnings during the period were achieved because of a reversal of tax reserves.

Canada

THERE WAS a mixed performance by Toronto stocks by midday after the dip on Wall Street and as Canada's constitutional talks continued without any progress reported.

The composite index rose 2.3 points to 3,603.8 on volume of 22.8m shares traded. Declines led advances by 246 issues to 210.

Stikine Resources fell C$2 to C$69 and Corona lost C$⅞ to C$8 amid confusion over Corona's latest takeover offer for Stikine.

Wall Street's record run wields its influence

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	+0.59	−4.00	+72.76	+32.08	+26.13	+31.77
Belgium	+2.67	+3.06	−1.52	−4.35	−6.20	−2.02
Denmark	+1.17	+6.05	+20.75	+3.61	+1.37	+5.90
Finland	+0.13	+4.76	−14.41	+1.26	−0.78	+3.65
France	−0.86	−0.49	+17.38	+2.92	−0.27	+4.18
W. Germany	+0.91	−2.93	+31.47	+4.53	−0.02	+4.45
Ireland	+4.45	+8.58	+15.78	+1.48	−1.07	+3.34
Italy	+1.25	+6.91	+20.24	+6.54	+3.76	+8.38
Netherlands	+1.63	+4.13	+4.20	−2.32	−6.28	−2.09
Norway	+1.11	+7.39	+25.77	+19.76	+16.90	+22.12
Spain	+1.06	+3.01	−9.73	−6.19	−6.26	−2.07
Sweden	+2.80	+13.37	+23.26	+9.01	+5.54	+10.25
Switzerland	+3.74	+10.50	+20.13	+2.59	+5.52	+10.23
UK	+4.31	+9.40	+9.53	−2.72	−2.72	+1.62
EUROPE	+2.32	+4.76	+14.02	+0.57	−1.10	+3.32
Australia	+2.68	+4.42	+1.62	−6.70	−12.99	−9.11
Hong Kong	+3.19	+7.16	+15.67	+11.37	+6.89	+11.67
Japan	+0.20	+7.44	−7.49	−17.18	−24.65	−21.29
Malaysia	+0.19	+12.72	+27.25	+2.44	−2.29	+2.08
New Zealand	+2.32	+4.30	+0.61	−7.40	−13.96	−10.11
Singapore	−0.18	+10.23	+21.35	+13.13	+11.05	+16.00
Canada	+1.88	+6.03	−2.08	−7.64	−12.64	−8.75
USA	+2.34	+7.32	+11.74	+2.60	−1.79	+2.60
Mexico	+3.37	+28.72	+180.84	+76.46	+60.22	+67.37
South Africa	−0.45	+1.77	+36.33	+7.09	−6.20	−2.01
WORLD INDEX	+1.54	+6.61	+4.21	−6.12	−11.41	−7.45

† Based on June 1st 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd

By Jacqueline Moore

GLOBAL markets were ready and willing to move ahead last week after their subdued stance the previous week. The influence of the record-breaking run in the US was finally felt overseas, particularly in Europe, and the FT-Actuaries World Index gained 1.5 per cent in local currency terms. Only three markets included in the index registered a decline.

The best performer of the week was Ireland, hotly followed by the UK. Ireland, like the UK and Switzerland – another of last week's strongest performers – had been one of 1990's laggards. Last week's 4.5 per cent gain, however, pulled it into positive territory for the year to date.

Dublin has made a convincing recovery since it was knocked by the record funding call by Allied Irish Banks (AIB) five weeks ago. Anticipation of the ½ point rates cut at the end of last week by the central bank helped AIB and Bank of Ireland regain lost ground, while buoyant London share prices encouraged the wider Irish market.

Optimism about corporate earnings growth in Ireland has also been high, says Mr Adrian O'Carroll of Citicorp Investment Bank. "Ireland offers very good earnings growth in 1990 and 1991 and, even following the current rise, the market is still on an undemanding rating," he says.

Another country regarded as relatively cheap in view of its earnings prospects is Switzerland, which gained 3.7 per cent last week, the world's third best performance.

The force behind the recovery has been the gradual easing of interest rates, according to UBS Phillips & Drew, which therefore pinpoints financial stocks as the principal beneficiaries of the current rally. The strength of the domestic bond market and the encouragement given by a rallying Wall Street have also provided a boost. As in Ireland, Switzerland's gains last week turned a loss for the year so far in local currency terms into a small gain.

These and other gains in European markets last week left the Europe Index a healthy 2.3 per cent higher.

Elsewhere in the world, Mexico continued to advance, taking its rise so far this year to 76.5 per cent in local currency terms – by far the best performance of all those markets included in the index.

The other country to rise by more than 3 per cent last week was Hong Kong. Earlier this year, attention had been focused on how the market would react to the first anniversary of the Tiananmen Square massacre on June 4. The apparent political calm in China, however, enabled the market to rise 3.2 per cent last week in active turnover.

Worries about the Tiananmen Square effect had been overplayed, according to Smith New Court. "Our view was that Hong Kong companies would continue to make money for their shareholders despite all the political and economic uncertainty thrown at them . . . Proof of [corporate strength] has now been richly provided," it says, citing an average weighted increase in earnings for 20 companies reporting to December 31, 1989, of 20.8 per cent.

EUROPE

Bourses lose grip on early US-inspired gains

CONTINENTAL bourses re-opened after Monday's holiday in a positive mood thanks to Wall Street's record run. But a lack of follow-through buy orders brought most of them off their highs, *writes Our Markets Staff.*

FRANKFURT got off to a good start as institutional buy orders hit an empty market. But prices retreated by midsession as buying interest petered out. The DAX index, which peaked at 1,881.73, closed only 19.74 better at 1,876.69. The FAZ index rose 12.02 to 794.23 and turnover grew to DM6.9bn from DM5.4bn on Friday.

The day's firm tone was seen more as a technical reaction to the market's recent sideways movement than the start of a sustained rally, because there were no fresh incentives to galvanise investors into action. On the technical front, the DAX was close to the 1,900 resistance point, but analysts said that it might find it difficult to break through decisively in the near term.

Volkswagen jumped DM15.8 to DM623.0 and was the most actively traded stock, with 2.06m shares changing hands. Hoesch, the steel company, rose DM15 to DM371 in unusually heavy trading of 814,858 shares, sparking off old rumours of stake-building.

Deutsche Bank rose DM3.50 to DM793, with more than 1m shares traded, after Mr Ulrich Cartellieri, management board member, said the bank expected to make an unchanged dividend of DM14 on 1990 results.

Among the second-line stocks, Douglas, the perfumes and cosmetics retailer, added DM30 to DM855. Villeroy and Boch, the porcelain and sanitary ceramics manufacturer which was floated at DM580 last week, traded at DM620-DM630 in the grey market. It will be traded officially on June 11. WestLB is lead-managing an offer of 64,000 shares at DM400 each in the ladies' fashion company, Hirsch.

ZURICH had another encouraging day, with the Crédit Suisse index up 2.0 at 661.0. A good current account figure announced on Monday, when the market was closed, helped sentiment.

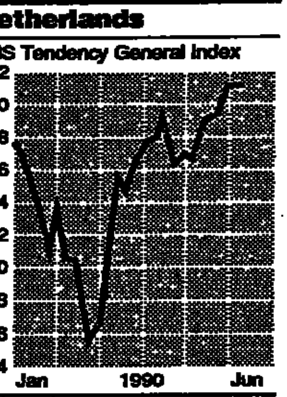
Chemicals led gains, with Ciba-Geigy registered shares rising SFr90 to SFr3,100 in the day's most active trading and its bearers adding SFr50 to SFr3,500. Ciba-Geigy was said to be holding a series of talks with clients overseas. Roche certificates added SFr50 to SFr4,240.

Among other features, engineering group Sulzer saw its participation certificates, which have underperformed recently, gain SFr37 to SFr735 and its registered shares add SFr175 to SFr6,625.

AMSTERDAM was initially inspired by Wall Street's record close on Friday and began briskly. But a combination of profit-taking and fears that Wall Street might not be able to sustain current levels left the market mixed by the end. The CBS Tendency reached 121.9, a high for the year, before dropping back to close 0.1 lower at 121.9.

Netherlands

CBS Tendency General Index



Among blue chips, Unilever added Fl 3.10 to Fl 158.40 on foreign demand, while Royal Dutch shed Fl 1.70 to Fl 144.50 on lower crude oil prices.

PARIS defied investors' expectations of a lively opening on Wall Street's overnight strength, and drifted lower in quiet trading. Trading was lacklustre because the French bourse had enjoyed its own run several weeks ago when other European markets had been dull, said one salesman. The French tennis championships were also said to be sapping interest from the market.

Lafarge, the cement producer, continued to ease after last week's stake-building rumours, losing FFr9.60 to FFr478.40 in reduced volume of 202,950 shares. The CAC 40 index lost 18.17 to 2,069.43 in thin turnover of about FFr1.8bn, down from Friday's FFr2.8bn.

MILAN was disappointed by the May mutual funds figures. Brokers had expected a sharp fall in redemptions, but instead they climbed to L1.4 trillion from L1.2 trillion. The Comit index eased 0.01 to 748.29 in volume estimated at L300bn.

The blue-chip industrial stocks came under selling pressure before Monday's expiry of monthly stock options. Fiat lost L24 to L10,765 while Generali slipped to L44,075 after hours, having closed L130 higher at L44,180.

Among the banks, Banco di Roma advanced another L49 to L2,730 on prospects of an early accord with Banco Hispano Americano and Commerzbank. Banca Commerciale Italiana rose L55 to l5,335. But the Milanese merchant bank, Mediobanca, succumbed to profit-taking on a growing feeling that it might be losing its grip as the traditional power-broker in Italian industry. The stock fell L255 to L21,000.

STOCKHOLM responded to Wall Street's overnight gains with a 1.5 per cent rise. The Affärsvärlden General index picked up 19.0 to 1,288.5 in turnover of SKr420m.

Speculation about a large order again lifted Ericsson, which saw its free B shares rise SKr64 to SKr1,340. Other winners included Asea free Bs, up SKr65 at SKr850, and Electrolux free Bs, SKr13 higher at SKr257.

OSLO banking stocks fell on the threat of a strike by bank employees. The all-share index lost 0.37 to 640.68 in light trading, while the banking index dropped 1.77 to 173.01.

SOUTH AFRICA

GOLD SHARES recouped some of Monday's sharp losses in response to a steadier bullion price. There was little foreign interest and local demand was limited. The JSE all-gold index rose 15 to 1,532 and the overall index added 20 to 3,147.

ASIA PACIFIC

Share prices run out of steam as investors lay low

Tokyo

SHARE PRICES finished hardly changed in quiet trading as investors kept a low profile before tomorrow's expiry of the June index futures contract and the related arbitrage selling, *writes Michiyo Nakamoto in Tokyo.*

After a firm start on the back of Wall Street's record close, share prices soon lost steam as investors stayed cautious, in spite of brokers' attempts to boost activity. The Nikkei average edged up above the 33,000 level during the day to touch a high of 33,054.20 but slipped to close at 32,921.62, down 3.75. The intraday low was 32,855.68. Declines led advances by 544 to 394 while 183 issues were unchanged.

Turnover fell to 600m shares from Monday's sluggish 650m. The Topix index of all listed stocks declined 2.31 to 2,424.93 and, in London trading, the ISE/Nikkei 50 index rose 1.60 to 1,816.86.

Investors seem to be less nervous nowadays about the possibility of arbitrageurs unwinding huge positions on the cash market, because better volume makes the market less vulnerable to arbitrage activity. But memories of the collapse of share prices earlier this year, associated in part with arbitrage activity, are still at the back of their minds.

Yesterday saw buying in blue-chip electricals, such as Sony, NEC and Hitachi, following the success of that sector in underpinning New York's record-breaking rally, said Mr Kazuma Kitai at County NatWest. Sony was up Y70 to Y8,650 while NEC gained Y50 to Y2,080 and Hitachi rose Y20 to Y1,580.

The market was also moving away from large capital issues dependent on domestic demand. With the lowering of commission rates on Monday, brokers have been eager to encourage activity in the more liquid issues, but investors have opted to pursue smaller stocks which offer a greater chance to make a profit.

"Large capitalisation issues, which supported the market's recovery of nearly half its loss, have already had their rise," said Mr Fujio Katayama at CS First Boston. The large capital issues were losers overall. Mitsubishi Heavy Industries topped the actives list with 14.6m shares and lost Y20 to Y1,070. Mitsui Engineering and Shipbuilding, third in volume with 12.6m shares, and also recently favoured, declined Y20 to Y1,000. Ishikawajima Harima Heavy Industries, the shipbuilder, lost Y40 to Y1,190.

Issues with special incentives led a firm rise in Osaka. Investors there paid little heed to Tokyo's caution and the OSE average advanced 108.00 to 35,643.66.

Roundup

LEADING PACIFIC Rim markets seemed to lose momentum yesterday, but only the Philippines made a significant loss.

MANILA fell for the third day in succession on fears of fresh violence. The composite index fell 26.94, or 3.4 per cent, to 773.50, the lowest level in 17 months. Volume rose to 502.2m shares from 395.6m but the value dropped to 200.7m pesos from 293.5m pesos.

AUSTRALIA rose for the eighth session in a row but ended well below the day's peak, suggesting that the rally might be running out of steam. A fall in the bullion price pushed the gold shares index to its lowest level in 15 months.

The All Ordinaries index closed 3.9 higher at 1,528.8 but off the day's high of 1,535.4. Turnover rose to 124m shares or A$253m from 100m or A$188m. Westpac was again heavily traded before its dividend payment, easing 1 cent to A$4.96.

NEW ZEALAND re-opened on a firmer note after Monday's holiday, buoyed by Wall Street. The Barclays index rose 9.28 to 1,814.72. Turnover slipped to 9.7m shares or NZ$21m from Friday's busy 14.1m or NZ$25.4m.

HONG KONG went into its second day of consolidation, which saw the paring of early solid gains which had followed another all-time high on Wall Street overnight. The Hang Seng index added 5.84 to 3,159.06. Turnover remained active at HK$1.76bn but below Monday's heavy HK$2.13bn.

SEOUL fell as investors took profits after six sessions of gains and amid disappointment that the summit between South Korean President Roh Tae-Woo and Soviet President Mikhail Gorbachev did not announce any detailed steps to improve relations. The composite index lost 6.43 to 807.97 on an active volume of 16.5m shares or 287.2bn won.

TAIWAN saw some bargain-hunting after Monday's plunge, but still ended with a minor loss. The weighted index lost 8.03 to 7,339.71. Volume fell to 1.62bn shares or NT$111.8bn from 1.7bn or NT$128.9bn.

SINGAPORE slipped in quiet trading as investors neglected it in favour of Hong Kong. The Straits Times index fell 1.74 to 1,550.71.

KUALA LUMPUR saw some bargain-hunting but trading was light before today's holiday. The composite index rose 2.86 to 586.50.

BANGKOK succumbed to profit-taking after four days of record highs. The official SET Index fell 13.89 to 1,018.86.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JUNE 4 1990								FRIDAY JUNE 1 1990					DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (81)	138.57	+0.7	122.62	133.67	122.01	120.05	+1.0	5.79	137.59	121.10	131.59	121.11	118.88	158.31	125.85	132.94
Austria (19)	239.93	−0.1	212.31	231.44	211.25	211.23	+0.0	1.28	240.08	211.30	229.62	211.32	211.23	285.63	193.15	120.75
Belgium (61)	150.90	−0.4	133.53	145.55	132.86	129.88	+0.0	4.44	151.55	133.39	144.93	133.39	129.88	160.02	132.11	130.03
Canada (119)	138.96	+0.1	122.96	134.03	122.33	118.38	+0.4	3.45	138.87	122.23	132.81	122.22	117.91	153.61	130.37	138.70
Denmark (33)	255.52	−0.4	226.10	246.48	224.97	224.59	+0.0	1.28	256.51	225.76	245.33	225.77	224.59	260.82	236.69	180.40
Finland (26)	137.75	−0.3	121.89	132.88	121.28	114.46	−0.1	2.39	138.17	121.61	132.15	121.62	114.52	152.29	129.99	146.12
France (125)	162.91	+0.2	144.15	157.13	143.42	145.72	+0.0	2.82	162.55	143.07	155.45	143.07	145.72	168.85	141.69	120.47
West Germany (93)	129.18	+0.0	114.31	124.62	113.73	113.73	+0.0	1.96	129.22	113.73	123.60	113.73	113.73	137.71	122.05	85.57
Hong Kong (48)	130.24	−0.4	115.24	125.63	114.67	130.16	−0.4	4.82	130.80	115.12	125.09	115.13	130.71	130.80	112.24	86.41
Ireland (17)	186.54	−0.6	165.06	179.94	164.24	167.10	+0.0	2.62	187.61	165.12	179.43	165.13	167.10	198.57	172.72	139.03
Italy (96)	106.71	+0.0	94.42	102.93	93.95	99.16	−0.2	2.40	106.68	93.90	102.03	93.90	99.33	107.10	91.85	78.54
Japan (454)	153.99	−0.9	136.26	148.54	135.60	148.54	+0.0	0.57	155.38	136.76	148.60	136.78	148.60	197.26	124.40	176.89
Malaysia (35)	233.27	−0.2	206.41	225.00	205.37	243.42	−0.2	2.21	233.80	205.77	223.59	205.78	243.84	245.32	204.15	178.94
Mexico (13)	549.86	+0.9	486.56	530.40	484.13	1710.39	+1.3	0.30	544.75	479.45	520.99	479.48	1689.11	549.86	324.53	230.30
Netherland (43)	140.88	+0.0	124.66	135.89	124.04	122.59	+0.0	4.60	140.88	123.99	134.74	124.00	122.59	145.66	130.43	116.14
New Zealand (17)	64.83	+0.0	57.36	62.54	57.08	59.67	+0.0	7.37	64.80	57.03	61.98	57.04	59.67	75.36	59.57	65.10
Norway (23)	241.90	−0.9	214.05	233.34	212.98	214.24	+0.0	1.43	244.05	214.80	233.41	214.81	214.24	245.90	202.34	177.48
Singapore (25)	205.59	+0.0	181.92	198.31	181.01	175.55	+0.0	1.93	205.57	180.93	196.61	180.94	175.54	207.28	179.70	157.40
South Africa (60)	190.68	−1.0	168.73	183.93	167.88	160.61	−1.4	3.70	192.57	169.49	184.17	169.50	162.85	251.39	173.80	135.22
Spain (42)	160.88	+0.7	142.36	155.19	141.64	127.73	+0.7	4.16	159.70	140.56	152.74	140.56	126.79	165.19	132.84	148.20
Sweden (35)	211.65	+0.0	187.28	204.16	186.35	191.91	+0.0	2.10	211.73	186.36	202.51	186.37	191.91	211.73	173.89	157.80
Switzerland (66)	103.47	−0.2	91.56	99.82	91.11	92.28	+0.0	2.24	103.69	91.26	99.17	91.28	92.28	104.31	88.75	75.28
United Kingdom (308)	160.95	−0.2	142.42	155.24	141.69	142.42	+0.3	4.73	161.27	141.94	154.22	141.94	141.94	164.31	139.87	137.26
USA (537)	148.55	+1.2	131.45	143.30	130.80	148.55	+1.2	3.26	146.77	129.18	140.38	129.19	146.77	148.55	130.61	131.43
Europe (985)	147.00	−0.1	130.08	141.80	129.43	129.26	+0.1	3.51	147.10	129.47	140.68	129.48	129.07	147.42	135.57	115.32
Nordic (117)	204.08	−0.3	180.58	196.86	179.68	174.89	+0.0	1.72	204.67	180.14	195.75	180.15	174.90	204.67	185.01	153.25
Pacific Basin (680)	152.51	−0.8	134.95	147.11	134.28	146.58	+0.0	0.87	153.77	135.34	147.06	135.34	146.60	192.75	124.63	171.76
Euro – Pacific (1645)	150.67	−0.5	133.33	145.33	132.65	140.05	+0.0	1.92	151.46	133.31	144.84	133.31	139.99	174.18	130.35	149.23
North America (656)	147.87	+1.1	130.84	142.65	130.21	146.55	+1.2	3.27	146.19	128.67	139.83	128.70	144.85	147.87	131.02	131.77
Europe Ex. UK (679)	136.99	+0.0	121.22	132.17	120.64	121.00	+0.0	2.73	135.95	120.54	131.01	120.57	120.97	139.50	124.81	101.39
Pacific Ex. Japan (206)	134.06	+0.2	118.63	129.34	118.05	120.83	+0.3	5.05	133.78	117.75	127.97	117.76	120.51	139.32	122.53	112.70
World Ex. US (1837)	150.90	−0.5	133.53	145.57	132.86	139.93	+0.0	1.99	151.66	133.49	145.06	133.50	139.86	173.77	131.30	148.78
World Ex. UK (2066)	147.74	+0.1	130.73	142.52	130.09	142.71	+0.5	2.18	147.57	129.88	141.15	129.90	142.06	162.00	130.80	142.03
World Ex. So. Af. (2314)	148.64	+0.1	131.53	143.39	130.88	142.51	+0.5	2.41	148.51	130.71	142.05	130.73	141.86	161.84	131.95	141.63
World Ex. Japan (1920)	147.74	+0.8	130.73	142.52	130.10	139.81	+0.7	3.43	146.63	129.23	140.44	129.26	138.83	147.74	134.82	124.97
The World Index (2374)	148.90	+0.1	131.75	143.63	131.10	142.64	+0.4	2.42	148.78	130.94	142.29	130.96	142.01	162.05	132.25	141.59

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Markets closed June 4: Austria,Belgium,Denmark,France,Ireland,W.Germany,Netherlands,New Zealand,Norway,Sweden and Switzerland.
Constituent changes 5/6/90: Deletions: C-C Bottlers (Australia) and Brit. & Commonwealth (U.K).Latest prices were unavailable for this edition.

FINANCIAL TIMES SURVEY

EXECUTIVE CARS

Wednesday June 6 1990

Rising costs and fierce competition have caused a shake-out in the luxury car sector. As e Japanese assault on the ıropean market gathers pace, ›hn Griffiths looks at the ospects for the industry in the :e of an expected price war

›roducers face ıp to reality

ETORIC IS becoming reality he executive car industry. everal years of warnings n industry pundits that ınting costs and sharply nsifying competition would voke a shake-out among ıufacturers in the sector proving justified.

ate last year Jaguar Cars its independence in a brief -of-war between Ford and ıeral Motors which resulted its purchase by Ford for 8bn.

'ithin weeks, GM had its solation prize – a half- :e in the cars division of b-Scania, the Swedish icles and aerospace group. , the world's biggest icle-maker, bought the 50 cent stake – and gained ıagement control – for m.

ɜss than three months r, in February, Sweden's ɜr car- and truck-maker, ⁄o, and the much larger ɔch state-owned Renault ıp announced that they, were forming a liaison.

ɔr the moment, the Ren- -Volvo alliance stops well :t of marriage, involving minority stakes in each ɜr's car and truck ɜations, and parent compa- . But they are committed to holding each other's stock for at least 10 years, and there are provisions for the cross-shareholdings to be increased.

It looks, in short, suspiciously like a trial marriage.

All these developments must have been watched with a niggling sense of unease by the dwindling band of specialist car-makers still clinging to independence.

Indeed, it is arguable that of those with an international reputation only two, Porsche and Rolls-Royce, remain if BMW – with its output of more than 500,000 cars a year – is excluded.

Both Porsche and Rolls-Royce recently have been brought face-to-face with their own potential vulnerability.

Porsche is making reasonable profits again after a sharp dip in the late 1980s. It is debt-free and has sizeable cash resources.

But its unit sales are sharply down as a result of a retreat upmarket from cheaper sectors now dominated by the Japanese. And its recently-appointed chief executive, Mr Arno Bohn, is well aware that world markets are still seeing only the first wave of upmarket sporting cars from Japan.

As for Rolls-Royce, the tiny – in world motor industry terms – UK luxury car-maker, is independent only of other vehicle-makers. For more than a decade, it has been part of the Vickers engineering group.

Only two months ago, the Vickers board had to fight off an attempt by New Zealand entrepreneur Sir Ron Brierley to have Rolls-Royce demerged from Vickers. And while Vickers has no wish to sell Rolls – particularly because it is now the group's biggest profit centre – it could still have a hard time fighting off a determined, much larger predator from elsewhere in the industry.

The latest round of rationalisations has left three specialist badges under Ford's control – Jaguar, Aston Martin and AC – and two, Saab and Lotus, in the GM orbit.

Another significant regrouping has been taking place elsewhere, but in a national context. Five months ago Fiat in effect ended the independence of another small-scale and loss-making producer, Maserati, by buying a 49 per cent stake. Fiat thus became *the* Italian motor industry, since it also controls Ferrari, Alfa Romeo and Lancia.

None of the above acquisitions has been made out of a benevolent desire by the volume manufacturers themselves to see famous motoring marques preserved. But they *do* want to capitalise on the esteem or affection in which such names are still held by large numbers of motorists.

Frustratingly for the industry's leviathans, such emotional attachments have survived against all logical odds.

The resources gap between the specialists and volume producers, in terms of ability to spend on research and development, engineering and manufacturing facilities, has widened rapidly in the past few years. Ford, for example, spends more on introducing a new gearbox than some specialist executive car-makers have been able to spend on taking an entire new model from first concept to production.

Given the scale of their resources, the volume manufacturers should be able to produce better designed, produced and tested cars than specialist rivals – in the executive sector as well as in more traditional, high volume business.

Yet without exception, all the large producers have found it very difficult to penetrate the upper echelons of the executive sector using their own brand names. Ford, recognising that the small blue oval "Ford" badge which has served it so well in the volume sector is still not regarded as a prestige marque, has even tried to launch its own upmarket brand in North America, using European-built cars and an invented brand name, Merkur. It has not worked to anything like the extent it hoped.

Provided it does not too obviously stamp a Ford imprint on Jaguar products, distribution system or management, Ford believes it should at last be able to gain access to a highly important market sector which has so far eluded it. The same thinking lies behind GM's acquisition of the Saab stake.

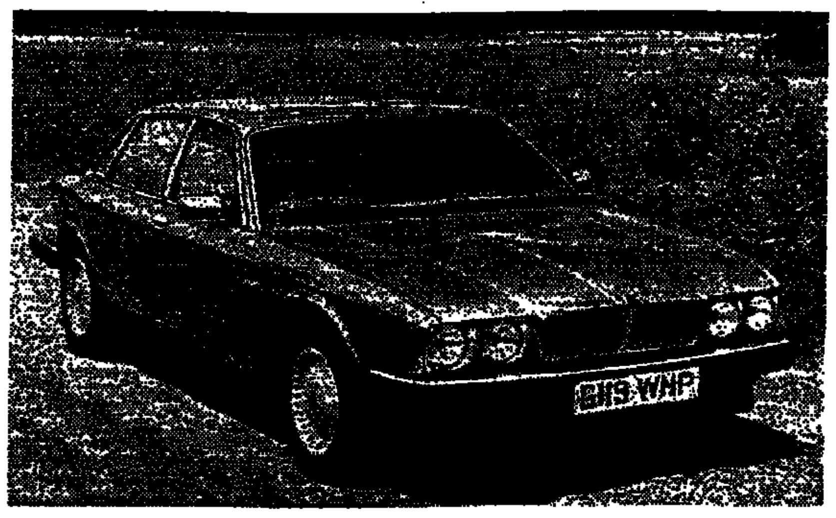
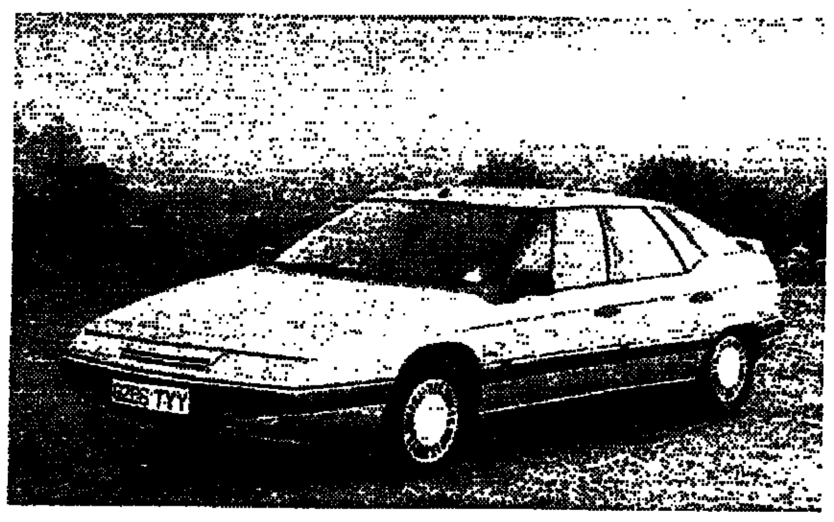
There is reason to think that the strategy is sound. GM has so far given Lotus financial help rather than interference; Ford has adopted such a "hands-off" policy towards Aston Martin that its chairman, Mr Victor Gauntlett, says he has sometimes felt like reminding Ford that the US giant owns it. In both cases, there are no signs that traditional buyers of the product have been deterred from maintaining their allegiance.

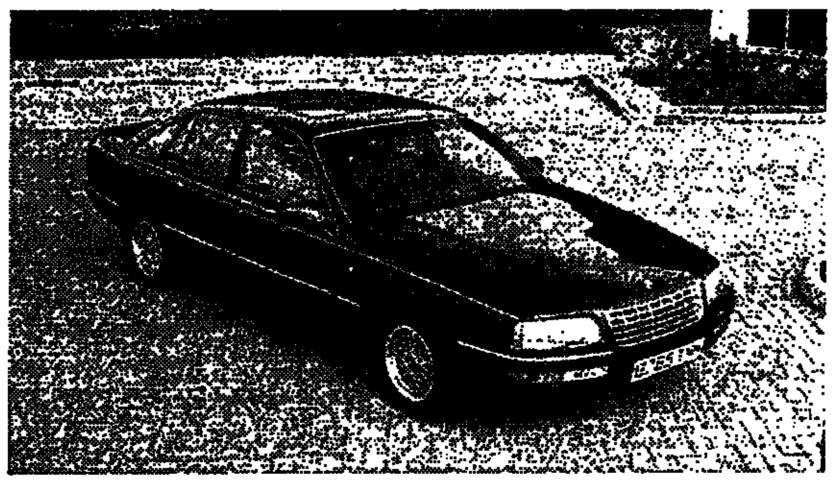
That so many highly respected, specialist producers have lost their independence reflects primarily the increased cost of remaining competitive in markets where new, mainly Japanese, entrants are making their presence felt for the first time. Driving these costs ever more sharply upwards is the increased sophistication of the vehicles themselves, with electronically-controlled systems for brakes, suspension and – still to come – steering, leading inexorably to what the industry believes will be drive-by-wire "intelligent" executive cars by 2000.

However, the immediate cause of both Jaguar's and Saab's downfall lies in the US, the world's single most valuable market, where the European executive and luxury car-makers have been hit hard.

The US luxury car market, which at around 1m units a year is by far the world's most important to manufacturers, has been the scene of a keen price war for some time. It is expected to become increas

Continued on Page 2

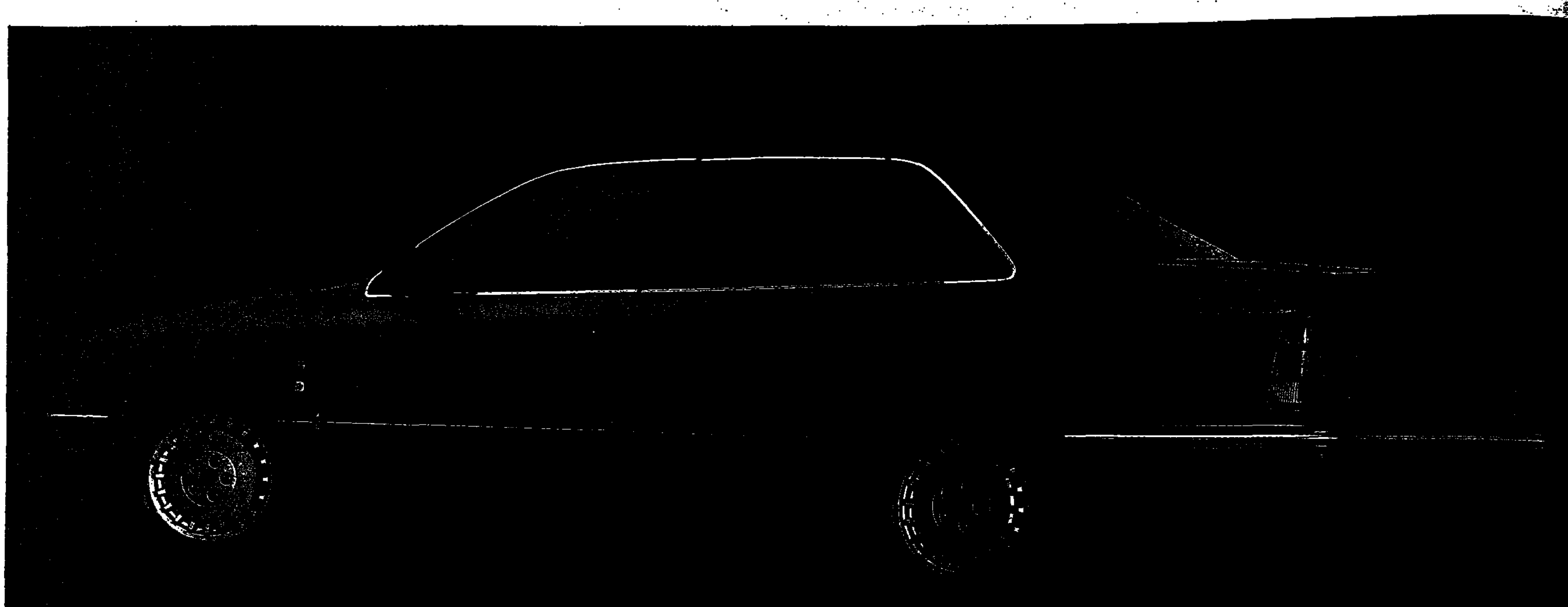


Showroom delights: Jaguar XJ6 (top left), Citroën XM Turbo (top right), Mercedes 190 (above left) and Vauxhall Senator (above right)

In this survey

Editorial production: Roy Terry

Enjoy it, you've earned it.



The new Granada saloon.

It hasn't been easy getting this far. But at last you've arrived. Proof of it is your new Ford Granada.

Take a look at it. The new Granada has been redesigned for the '90s.

To complement our hatchback we've introduced a new 4-door version which is the perfect extension to this stylish range of cars. The spacious new boot, (17.3 cubic feet to be exact), will allow plenty of room for those golf clubs.

And if you need even more space, the rear seats fold down.

There's an impressive choice of power units as well, the most recent addition being the new 2.0 litre Double Overhead Camshaft Engine. Mated with the new MT75 gearbox and newly revised suspension system, you're guaranteed the smoothest of rides on your way to the rockiest of meetings.

As for the interior specification. Well, you shall have music wherever you go. It's just a case of which system.

In addition to our standard range of radio/cassette systems with 4 speakers, you might opt for our Ford Premium Sound 8-speaker Compact Disc system. Which is available on all Ghia models. Fast Lane magazine has hailed it as "a huge step forward in sound quality."

Driving comfort is enhanced, as well, by anatomically designed seats which can be adjusted to help you find your ideal driving position. Furthermore, the steering wheel will rake and reach to suit you.

Variable rate power assisted steering makes for effortless parking.

While generous glass areas ensure excellent vision as you manoeuvre your way in and out of the Directors' car park.

More important still, all Granadas are fitted with Ford's award-winning electronically controlled anti-lock four wheel disc brakes (ABS) as standard.

And don't forget that, as part of Ford's new Aftercare package, every new Ford comes with one year's free RAC membership.

The new Ford Granada.

Whoever coined the phrase 'it's tough at the top' didn't drive one.

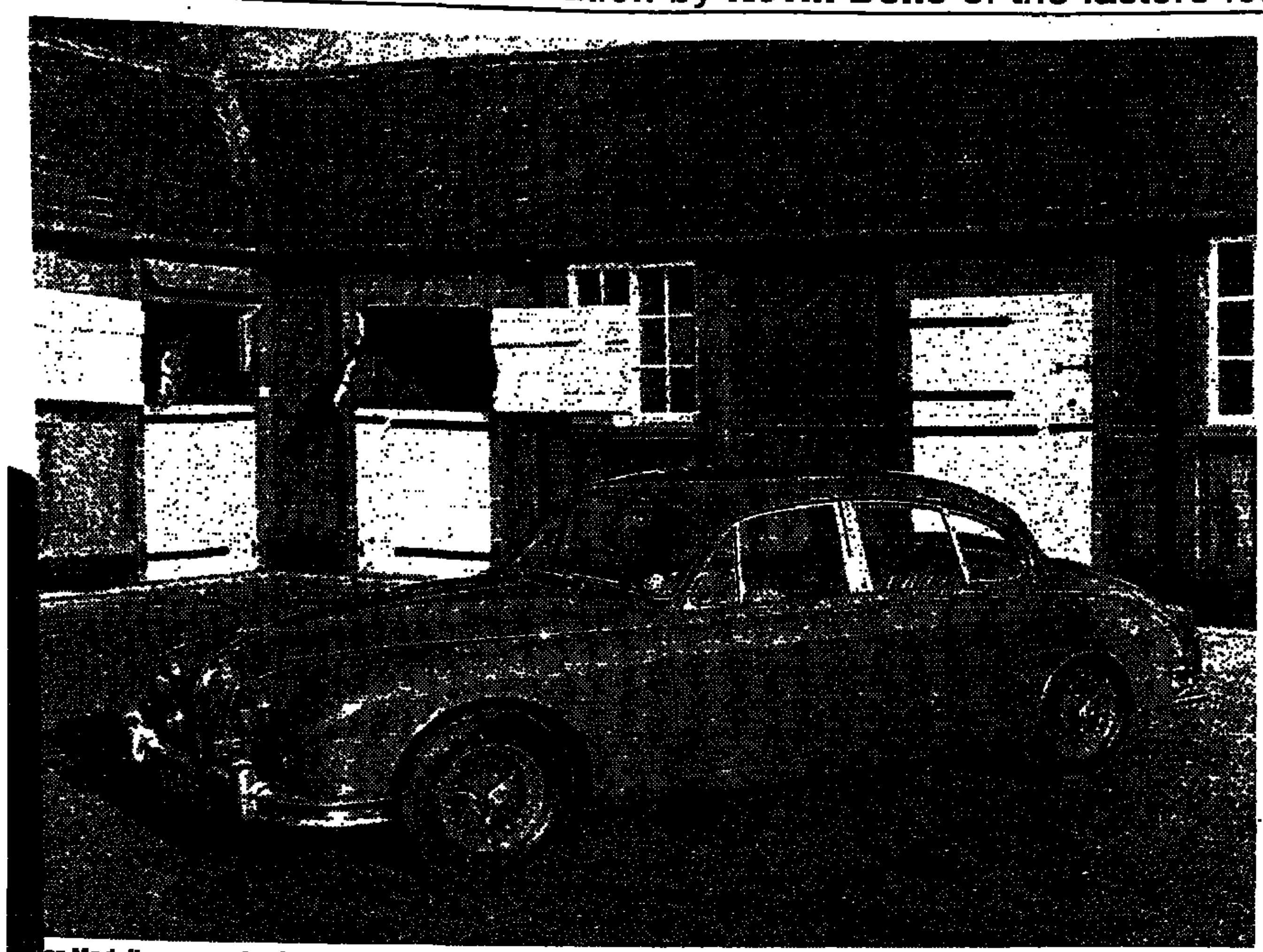
Ford

The 4&5 door Granadas.

For a catalogue or the address of your nearest Ford dealer call the Ford Information Service free on 0800 01 01 12.

EXECUTIVE CARS 3

A detailed examination by **Kevin Done** of the factors leading to the new alliances of four European car-makers



ar Mark II: supposed to be the inspiration for the new range of smaller, sporty saloons

Ambitious plans for Jaguar

D, the world's second st vehicle producer, has ious plans for Jaguar, the luxury car-maker it red for £1.38bn last year.

s still treading gingerly, us not to rub any of the f the prestige nameplate bought so dearly, but it egun to lay the ground- for an expansion which quadruple Jaguar output e end of the decade.

ording to Mr Bill Hay- he senior Ford executive ook over as chief execu- f Jaguar at the end of and who will replace Sir Egan as chairman at the f June, Jaguar is plan- to complete a 10-year ss plan for presentation main Ford board.

ays Jaguar will eventu- ive a four-model line-up, g a smaller "sporty " and a sports car to the g XJ6 luxury saloon and and tourer ranges. It is d to raise output to close 000 cars a year in the 0 to 15 years from an last year of 48,138 and n 1988.

smaller Jaguar is the car ill make the radical dif- to the company's pro- volumes, will take it ad-on competition with ch as the BMW 5-Series ll take Jaguar into the world of much more ted car assembly.

ecisions have yet been on the building of an al greenfield assembly o replace the outdated s at Browns Lane, Cov- ays Mr Hayden. Initial suggest that the Lane plant could be of producing more 0,000 cars a year given it investment in mod- ant and equipment. ly in the US is "not on nda", he insists.

arrival at Jaguar has meant that the luxury er has had to drop its ment of the so-called sports car, which had nned as a successor to lier E-Type. Instead, is expected to concen- resources on develop- basic floorpans (chas- forms) for its future the 1990s, one for the nent of the existing ury saloon launched in d one for the planned sporty saloon, which to continue the tradi- the Jaguar Mark II the 1960s.

Jaguar sports car will derived from one of sic platforms.

yden, 61, is one of the hly respected manu- g executives in the motor industry, and ly two non-American e vice-presidents at viously vice-president of Ford of Europe's manufacturing group, he has led the US group's transition team at Jaguar and is now the man who must ensure that Ford eventually makes a return on its massive investment in the UK luxury car-maker.

Ford is treading gingerly, anxious not to rub any gilt off the prestige nameplate it has bought so dearly

He has already warned that the efficiency and productivity of the Jaguar workforce has to be substantially improved with the introduction of more automated production methods to achieve more consistent quality levels.

At the same time it will be necessary to remove the present demarcations at Jaguar plants of the sort which disappeared at Ford plants 15 years ago. The transition team at Jaguar has already established that savings of "well in excess of £100m" can be achieved through the Ford takeover and the integration of Jaguar into the Ford components supply system.

In addition to Mr Hayden, Ford has appointed Mr John Grant, formerly Ford director of corporate strategy in Detroit, as deputy chairman of Jaguar, while Mr Lindsey Halstead, chairman of Ford of Europe, has become a non-executive director.

The recent annual report of Ford Motor, Ford's UK subsidiary, shows the heavy price the US group paid for the Jaguar name, when it acquired the company for £1.382bn late last year. Of the takeover price £249m was for the net assets and £1.133bn for the goodwill.

The formal departure of Sir John Egan from Jaguar at the end of June will mark the definitive end to Jaguar's short-lived existence as an independent force in the British motor industry.

Sir John, who joined Jaguar in 1980 and led its privatisation from the state-owned British Leyland group in 1984, has been one of the main symbols of the Thatcher Government's privatisation programme. He was knighted in 1986.

Given the "size of the growth opportunities for Jaguar, the massive transfer of technology and the prospect of much higher production volumes", that would arise from the Ford takeover, "there should be a Ford executive running it," he said.

The increasingly fierce competition in the world motor industry and the entry of the Japanese car-makers into the world luxury car market, meant that Jaguar could not remain independent. It needed extra "purchasing clout and a wider technology base".

In the 10 years under Sir John Egan, Jaguar's production and sales volumes more than trebled, it has substantially modernised its engineering and parts of its manufacturing facilities, has set up a worldwide sales network, and succeeded in re-establishing its credibility as a manufacturer of luxury cars.

Its profitability has been battered in the last couple of years, however, by the weakness of the US dollar and falling sales in the US, and last year the company was trading at a break-even level.

Ford has repeatedly stressed that it intends to manage Jaguar as an autonomous business. In its offer document to Jaguar shareholders it said that:

- Jaguar will remain a separate legal entity with a self-sustaining capital structure and its own board of directors.
- The board will "operate independently within agreed control parameters", will comprise senior Jaguar management and Ford nominated directors, and will include "independent non-executive directors".
- Organisationally Jaguar will report to the chairman of Ford of Europe.
- The board will have "sole discretion in the application of the Jaguar marque".

Mr Lindsey Halstead, Ford of Europe chairman, accepts that these arrangements are "essential to preserve the identity of Jaguar". Ford says development of Jaguar will take place in Coventry and in the West Midlands. The Whitley, Coventry research and development centre is to be expanded, Jaguar's corporate headquarters will remain in Coventry and Jaguar's exclusive distribution network is to continue.

Jaguar sales fell last year to 47,400 from the peak in the previous year of 49,494. Sales in the US, its biggest single market, totalled 18,967 compared with the peak of 24,464 in 1986. In the first four months this year total sales were again slightly lower at 16,243 compared with 16,879 a year ago, but in the US sales were 8.9 per cent higher at 6,343 despite a continuing fall in the overall market, and Jaguar sales in Japan are rising fast.

Partnership takes shape

THE far-reaching alliance between Volvo of Sweden and Renault, the French state-owned automotive group, is taking shape rapidly as the two concerns overcome the remaining regulatory hurdles in both countries. A final agreement is expected to be signed by the end of June.

Under the terms of the alliance announced in late February the two groups will exchange large minority stakes in their respective car and truck and bus businesses.

For the moment the two groups have stopped well short of a full merger, but such a development is not ruled out eventually, if the initial alliance can be made to work. Both Volvo and Renault have agreed to hold the minority stakes for at least 10 years. According to Mr Raymond Levy, Renault chairman, the deal with Volvo has been constructed to ensure that neither party "can be tempted to go astray, marry somebody else or even divorce".

Renault is to take a 25 per cent stake in Volvo's car operations, a 45 per cent stake in its truck and bus business and will purchase a stake of up to 10 per cent in the Volvo parent company. At the same time, Volvo will acquire a 45 per cent stake in Renault Véhicules Industriels, Renault's truck and bus subsidiary, and an initial 20 per cent stake in the Renault parent company which includes the French group's car operations. It will have an option to increase this to 25 per cent at any time in the three years to the end of June 1993.

Unlike in the truck industry, where Volvo and Renault overlap in several sectors, the two companies' car operations differ substantially in both size and market position. Volvo produced 414,000 cars last year compared with Renault's output of 1,966,700 cars and vans. Renault is one of the big six volume car-makers in Europe, albeit the smallest with a 10.4 per cent share of the western European car market last year, and has a car range spanning the market from small cars to executive models.

Volvo by contrast is essentially a specialist producer of executive cars, with a special presence in the market for estate cars and with an important foothold in the US, which is its biggest single market and where it is one of the leading European importers.

The turnover of Volvo's car operations last year at SKr42.94bn ($7.1bn) was less than a third of Renault's car business at FFr137bn ($24.4bn), while Volvo has a workforce in cars of 34,750, compared with Renault's 129,700.

The Volvo and Renault car

Volvo assembly line: 414,000 cars were produced last year

product programmes overlap only slightly in the upper-medium and lower end of the executive segments of the European market, but it is here that the two companies estimate that the benefits of co-ordination can be realised most rapidly.

According to Volvo the main opportunities for co-operation in the car sector lie in:

- The co-ordination of research and development programmes in particular for major components and systems, such as petrol and diesel engines, gearboxes, air-conditioning systems and braking systems;
- Co-ordination of capital expenditure planning to gain economies of scale and restrict duplication;
- Co-ordination of the procurement of components and systems.

The two firms have stopped well short of a full merger but such a development is not ruled out eventually

Volvo has calculated that such co-ordination could reduce Volvo Car's total costs for product development, production and procurement by about 5 per cent over a period of five-eight years, but it accepts that this marginal improvement will be offset in part by the anticipated intensified competition in the 1990s.

It will take several years for the potential benefits to flow from the co-operation. Mr Roger Holtback, head of Volvo's car operations accepts that "we have to plan very much for the second half of the 1990s. Most of our product development programmes are set for the next three to five years. In the short-term we must look at components, technical systems and partly joint purchasing. It will have a limited impact in the short-term on our performance.

"The lead-times are quite long. What we decide today will not materialise for three to four years." Mr Holtback is clearly envisaging joint development of new vehicles, however, at least for niche segments, combining for instance Renault's strength in people carriers with its Espace and Volvo's presence in traditional estate cars.

"When you see sky-rocketing development costs and increased globalisation, you must have the necessary volumes and engineering capacities."

There will be little scope for cost savings in distribution, as the two companies have pledged to keep their dealer networks separate to preserve the integrity of the Volvo and Renault brand names.

The flirtation between the two groups has lasted a long time. A decade ago Renault took a minority stake in Volvo Car which subsequently rose to 15 per cent with an option to increase to 20 per cent in 1985/86. The 1979 agreement was also ambitious in scope providing for "co-operation in research, product development and production", but the aims were never realised, and Renault sold its stake in Volvo Car back to Volvo at the end of 1985.

The two have continued to co-operate in certain projects, however, such as in the development and production of the six-cylinder engine used in the Renault 25 and Volvo 760 models. Volvo also uses a modified powertrain (engine and gearbox) developed by Renault in its 400 series, which is built in the Netherlands.

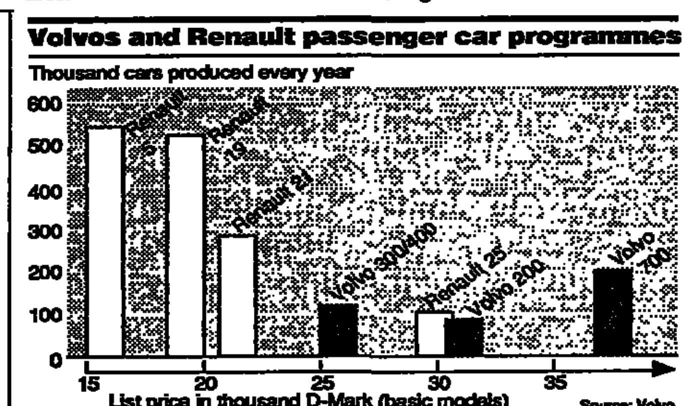
The two groups are planning to co-ordinate their car operations through the formation of a four-man joint technical committee, whose members will be Mr Roger Holtback and Mr Dan Werbin, president and executive vice-president of Volvo Car, and Mr Philippe Gras and Mr Louis Schweitzer, both executive vice-presidents of Renault.

It will take several years for the benefits to flow from the co-operation between Volvo and Renault

As a modest first step in the alliance, Renault and Volvo have formed a 50/50 joint venture company to carry out advanced research with the establishment of Advanced Research Partners, which will be domiciled in France.

The venture will have a six-man board, three from each company, with the chairmanship rotating between Renault and Volvo. According to Volvo the joint venture will initiate and direct projects in areas such as materials, alternative fuels, mechatronics, environmental protection, safety analysis and technology, and traffic management.

Volvos and Renault passenger car programmes



Source: Volvo

GM rescues the ailing Saab

GEORG KARNSUND, chief executive of Saab-Scania, the Swedish automotive and aerospace group, maintains that "soaring costs for research and development and ever-increasing international competition make it difficult for small volume car-makers to survive on their own in a longer perspective."

In December, the fiercely independent Swedish group, which had tried hitherto to accomplish the daunting task of maintaining an independent presence not only in the car industry, but also in trucks and aircraft-making, decided to give up the unequal battle.

In the face of rapidly mounting losses it sold a 50 per cent stake in its troubled Saab car division to General Motors for $600m and, most importantly, ceded management control to the US group, the world's biggest car-maker.

For Saab the hunt for a partner had become very much a question of survival. The financial performance of the car operations had deteriorated at an alarming rate from a profit (before appropriations and taxes) of SKr941m ($155m) in 1986 to profits of SKr720m in 1987, SKr11m in 1988 and a loss of SKr2.13bn last year.

Its sales have fallen in the vital US market (31,306 cars of total sales of 109,482 last year), stocks had become dangerously bloated, output was falling while Saab was actually bringing new capacity on line – it opened a new assembly plant in Malmö last autumn – and its model range had appeared increasingly dated with little sign of a replacement for its aged 900 before well into the 1990s.

The company had already embarked on an extensive rationalisation effort including the sale of components operations, a reduction in output and cuts in the workforce, but this was not expected to show results before 1990/91. The workforce is being cut by 1,500-2,000 during 1989/90.

Saab's output is spread inefficiently across three assembly plants, two in Sweden and one in Finland, for a total output last year of less than 110,000 cars compared with a capacity for producing 180,000 cars a year. With all its car production capacity located outside the European Community and suffering the production inefficiencies of probably the highest absenteeism and sickness rates in Europe, Saab was hardly the ideal takeover candidate for another car-maker in Europe. Its value lies in its name, however.

Saab 9000: top of the present range

Ford showed a strong interest, but then backed down in favour of pursuing Jaguar. The final choice of partner lay between Fiat of Italy and GM, with the US group pulling off the deal at the last gasp only hours before the Italian car-maker thought it had an agreement in the bag.

For GM, the newly-created Saab Automobile – a 50/50 joint venture but with GM providing the chairman and having the casting vote – provides a much sought-after second car marque in western Europe and the potential for developing a much enhanced presence in the executive and luxury car market. At the same time it has gained extra assembly capacity at a time when most of its European plants are working at full stretch.

GM is planning to take Saab into the luxury car market with an additional range of cars above its present 900 and 9000 segments, the reverse of the task facing Ford which plans to add a new lower range to Jaguar's luxury cars in the executive car segment.

GM has long been convinced that it sorely needed an extra marque in the European car market if it was to be able to make any significant progress in penetrating the upper echelons of the lucrative executive and luxury car segments.

However technologically advanced, there is a general perception that an Opel (Vauxhall in the UK) remains an Opel. With some justification GM can claim that its top-of-the-range Opel/Vauxhall Senator, recently equipped with a new 24-valve 6-cylinder engine, is a technical match for many of its competitors at the top of the executive car market. Its sales performance at less than 15,000 units across Europe last year was disappointing, however, and the Senator has failed to make much impression on Europe's well-heeled top executive car buyers.

GM and Saab-Scania are now planning a far-reaching new model development programme for Saab with the aim of taking the Swedish marque into the upper echelons of the European luxury car market in the 1990s.

Saab Automobile will develop, manufacture and distribute cars under the Saab name, and will also produce GM cars in Scandinavia for sale through the GM (Opel/Vauxhall) distribution network. Saab cars will continue to be sold through an independent Saab dealer organisation.

The deal opens the way for far-reaching technical co-operation between Saab Automobile and GM's European technical development centres, chiefly in West Germany. It has already been made clear that GM will also produce for Saab a version of its new range of V6 engines, that are to be built at the planned £160m engine plant to be developed in the UK.

The joint venture company will have full access to GM's technology and automotive component resources and supplier network. GM and Saab-Scania are each injecting $100m in new equity capital into the company.

The first visible evidence of the Saab/GM alliance will be the production of the new Opel/Vauxhall Calibra coupe at Saab's Finnish plant at Uusikaupunki. The Saab 900 and Saab 9000 will continue to be made in the Swedish plants at Malmö and Trollhättan. This move will help to utilise more fully Saab's existing capacity, while at the same time relieving the pressure on GM's other European plants.

GM Europe has increased its assembly capacity by 16 per cent in the past four years, but last year it emerged as the fastest-growing volume car-maker in Europe capturing a market share of 11 per cent, and several of its plants are now working at full capacity.

General Motors has moved quickly to establish its formal management control of Saab Automobile with the appointment of GM executives to the key posts of chief executive, finance director and product strategy and planning director.

Mr David Herman, who was previously executive director of GM's European parts and accessories operations based in West Germany, has become president and chief executive officer. Mr James Crumlish, who has been in charge of finance at CAMI, the GM/Suzuki vehicle assembly joint venture in Canada, has been appointed finance director, while Mr David West, previously responsible for strategic product planning in GM Europe, has become Saab Automobile's director of product strategy and planning. Mr Robert Eaton, president of GM Europe has become chairman of the Saab Automobile board, to which GM appoints five members including the chairman, Saab-Scania appoints three members and two are workforce representatives.

Facing up to reality

Continued from Page 1

ingly fierce in the coming months, with some European producers likely to be among the heaviest losers.

For instance, most manufacturers are offering rebates of up to $5,000 a car on Mercedes' most expensive models.

The catalyst for this price war has been the long-awaited onslaught on the sector by the Japanese, in the form of Toyota's Lexus range of models – with their own franchise – and Nissan with its Infiniti brand. Both made their world debut in the US last year.

The Lexus LS400 saloon range has been a spectacular success, selling more than 13,000 units in this year's first quarter – almost as many as the entire BMW range, which includes a substantial proportion of cheaper and smaller cars.

However, the Lexus coupé, the ES250, has not hit its sales targets while Nissan's Infiniti models are being outsold three-to-one by Lexus.

Since both Japanese companies are determined to establish themselves as luxury car-makers in the US, the fear among European producers is that – following previous precedent – Nissan and Toyota will take whatever pricing action is needed later this year to establish market share and reduce stocks.

The Europeans have already been adversely affected by unfavourable exchange rate shifts as well as increased competition in what, during the mid-1980s, was their most lucrative single market.

BMW sales, for example, were nearly 17 per cent down in the first quarter of this year and Mercedes' were static. Porsche's sales are stronger than in last year's first three months but, at an annual rate of just over 9,000 units, only one-third the peak levels achieved in the late 1980s.

Western manufacturers are only too well aware that Toyota will be taking the executive car battle to Europe itself, where the Lexus range is shortly to go on sale.

The battle is already adopting political overtones, with , for example, Mr Eberhard von Kuenheim, chairman of BMW, openly accusing the Japanese of dumping their new luxury cars in North America.

Mr von Kuenheim charges that Toyota's Lexus and Nissan's Infiniti ranges are already priced unrealistically in relation to production costs in pursuit of market share goals. "Lexus in the US costs $35,000. The same car in Switzerland is SFr79,000 ($52,000) – one-third cheaper. That's dumping. It's nothing to do with cars – it's dumping."

Toyota executives reject such allegations, insisting that the cars are priced competitively for whichever market they are destined.

At least the heightened competition inside Europe is likely to occur in relatively buoyant market conditions. For while some individual EC markets are undergoing problems, such as the downturn in the UK under the pressure of high interest rates, there is still no sign of any weakening of the EC's overall 13m units-a-year new car market.

MR GORBACHEV'S policy of openness is cutting demand for Kremlinologists – reporters who worked out the secretive Soviet leadership's plans from the rare wisps of information available.

So it is fortunate for journalists with that cast of mind that there is a growing need for Cocarologists, who use the self-same methods to divine what is happening in the company-car market.

The seemingly inexorable spread of the four-wheeled perk across Europe, at least, has important ramifications. On the one hand, the costs it implies are potentially ruinous to employers competing for top-notch managers and specialist workers.

On the other, it has so far been a blessing to the western-owned motor industry because, for all its eastern rivals' success with private owners, they have evidently made little headway with sales to European companies.

The great importance of the company market contrasts starkly with the scarcity of reliable information about it. Even the most comprehensive survey this particular Cocarologist has seen is far from perfect.

It is the study made around the end of each year by the Brussels branch of the Wyatt group of consultants*, the 1989-90 version being based on data from 1,390 widely assorted organisations.

Its fundamental flaw is that, since the companies which took part were not selected in line with the statistical rules for drawing up representative samples, the survey findings cannot claim to reflect the company-car policies and practices of all employers in the countries in question. In each case, the broad canvas may be very different from the miniature the study displays.

Nevertheless, Wyatt's survey is the best picture available. So, as long as its shortcomings are kept in mind, the findings are well worth noting.

Michael Dixon finds out who gets what in Europe

Mixed blessing of the four-wheeled perk

One of the questions put to the participating companies' managements, for example, was which types of car they chose for different ranks of employees. The replies can be used to produce "popularity" leagues based on the frequency with which different models were mentioned.

Across all ranks of managers in the 17 countries combined, the most popular series of car was the Audi 100, with the Ford Scorpio/Granada series a close second and the Renault 25 third. But when the countries are taken separately and management is divided into senior and middle levels, the best favoured series are widely varied – as is shown by the first of the accompanying tables.

Even so, only two Japanese types appear in the lists: the Toyota Carina and Mazda 626, both at middle management level. That fairly reflects the shallow eastern penetration of the European company market, which is shown by the survey's overall findings.

Another example of the topics covered by Wyatt's study is the percentages of companies in the different countries which let various ranks of staff use their car privately without any charge, even for fuel. The 1989-90 analysis is set out in the second table which includes direct sales and customer service staff as well as managers, and ranks the countries by the extent to which all types of employees are allowed cost-free use for their own purposes.

The ranking sheds light on a question which has long puzzled observers of international pay trends. League tables drawn up on the basis of net cash earnings – basic salaries plus bonuses and so on – almost always show Denmark, Finland, Norway and Sweden at the bottom.

But since first-hand observation of Scandinavians' lifestyles suggests that they live pretty richly, the puzzle is how they do it.

Part of the explanation is evidently that they are more likely to enjoy free private motoring than their counterparts in most other nations.

The same table, besides separating out chief executives, makes a distinction between staff apt to need a car as a tool of the job, and those who have one essentially as a perk of status. It is hard to decide which is mainly the case for chief executives.

Among the rest of senior and middle managers, the vehicle will probably be more a tool to sales and marketing executives than it is to the others such as finance specialists.

The groups least likely to have a car simply as a perk are the direct sales and customer service people. But, being lower in the company pecking order, they are also less favoured with no-charge private motoring than the managerial classes.

When middle and senior management (except chief executives) are taken together, nine of the countries allow cost-free private motoring more generously to "others" than to sales and marketing types. One, Denmark, treats both groups alike. The other seven, which favour "tool" users over "perk" users, are Sweden, the UK, Greece, Netherlands, Germany, Switzerland and Italy.

In a dozen countries, chief executives are best off for the no-charge benefit. They come second to senior sales and marketing specialists in Sweden, and to "other" senior management in Norway, Ireland and Portugal. The French companies relegate chiefs to third place behind "other" middle management as well as both senior groups.

The most salient question, however, is how much extra salary company cars are worth to their possessors. And here, too, the Wyatt survey gives some clues which are set out in the third of the tables.

Unfortunately, the figures apply to only nine of the countries – not always covering all the relevant types of staff – and are no better than approximate averages.

Moreover, the gross-salary values of vehicles reflect tax arrangements and suchlike in force at the end of 1989 so that the UK figures, for instance, take no account of the sharper taxing of company cars instituted by the Budget in March. (Other currencies have been converted to sterling at the London market's closing rates on May 15.)

The table ranks the countries, not by the simple money worth of the car, but by a yardstick which takes more account of differences in £-per-year pay levels from nation to nation. The yardstick centres on chief executives, and consists of the average value of their cars expressed as a percentage of their average salary. On that measure, the differences are considerable. The £8,671 for Portugal represents more than 27 per cent of the Portuguese chiefs' typical salary.

The corresponding figures for the other countries are: Spain 16 per cent; UK – before the Budget changes – 13 per cent; Netherlands and Belgium 12 per cent; West Germany and Italy 10 per cent; France 9 per cent; and Finland 7 per cent.

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EUROPE'S MOST POPULAR COMPANY CARS

Country	Senior management	Middle management
Austria	Audi 100	Peugeot 505= Peugeot 405=
Belgium	Audi 100	Audi 100
Denmark	Volvo 200	Ford Sierra
Finland	Saab 900	Ford Sierra
France	Renault 25	Renault 25= Renault 21=
West Germany	Mercedes 200	Mercedes 190
Greece	Audi 80	VW Golf
Ireland	Ford Granada	Toyota Carina
Italy	Lancia Thema	Alfa Romeo 33= Lancia Prisma=
Luxembourg	Audi 100	Audi 100
Netherlands	Ford Scorpio	Ford Sierra
Norway	Ford Scorpio	Mazda 626= VW Passat=
Portugal	Renault 21	Renault 9
Spain	Opel Omega	Renault 21
Sweden	Volvo 700	Volvo 700
Switzerland	BMW 500	Opel Omega= Opel Kadett=
United Kingdom	Ford Granada	Ford Granada= Ford Sierra=

Source: Wyatt Company Car Survey – Europe 1989-90

PERCENTAGES OF COMPANIES ALLOWING FREE PRIVATE MOTORING

COUNTRY	Chief execs	Senior management Sales & mktg	Senior management Other	Middle management Sales & mktg	Middle management Other	Direct sales staff	Customer service staff
Denmark	91.2	90.3	88.5	81.5	83.3	78.1	89.5
Finland	93.9	87.5	90.0	81.3	88.9	74.2	75.0
Norway	89.3	87.0	89.5	82.4	80.0	76.0	80.0
Sweden	90.5	93.9	89.2	81.3	76.2	75.0	75.0
Ireland	83.7	82.6	85.7	58.8	61.9	71.4	57.1
Austria	87.5	71.9	76.9	72.7	76.9	46.4	55.0
Spain	70.0	65.7	62.1	56.9	66.7	60.4	58.3
Luxembourg	89.5	72.2	77.8	50.0	50.0	50.0	42.9
U.K.	72.7	69.3	66.7	59.6	59.1	49.5	54.2
Portugal	77.1	73.9	77.6	64.7	66.7	48.0	14.3
France	56.9	62.9	61.7	55.6	60.0	56.5	54.5
Greece	82.9	78.6	70.4	42.9	46.7	41.2	44.4
Netherlands	63.8	58.5	57.1	54.3	54.5	52.4	50.0
W. Germany	71.4	61.8	65.2	55.1	45.5	46.9	40.0
Switzerland	72.0	60.6	59.4	44.8	25.0	35.5	50.0
Belgium	57.0	48.9	48.5	46.3	46.9	44.9	40.0
Italy	52.0	39.1	37.1	41.4	41.2	34.6	36.7

Source: Wyatt Company Car Survey – Europe 1989-90

HOW MUCH ANNUAL GROSS SALARY COMPANY CARS ARE WORTH

COUNTRY	Chief executives £	Other directors £	Middle management Sales & marketing £	Middle management Other £	Direct sales staff £	Customer service staff £
Portugal	8,671	6,803	3,564	5,117	2,681	–
Spain	11,709	8,595	6,291	–	4,206	–
United Kingdom	7,581	6,609	3,971	4,391	3,884	3,456
Netherlands	9,289	6,753	5,477	4,929	4,394	–
Belgium	9,906	7,267	5,429	4,931	4,809	4,993
West Germany	8,759	6,769	5,007	3,752	3,654	3,665
Italy	7,265	5,618	3,871	3,536	4,084	3,321
France	7,038	5,619	3,271	3,797	3,471	–
Finland	4,690	4,266	3,013	–	2,886	–

Figures are approximate averages based on Wyatt Company Car Survey – Europe 1989-90.

William Dawkins on the French drive for greater recognition

Edging into the market

THE French car industry is beginning to see the first results of its campaign to become a strong new force in Europe's increasingly competitive market for executive cars.

Privately-owned Peugeot and Citroën both launched new executive ranges last year, in an attempt to add a higher margin new speciality to their core activities as volume car producers.

Meanwhile, their state-owned rival, Renault, is beginning to explore the benefits of a wide-ranging alliance with Volvo, the Swedish quality car-maker, while at the same time laying the groundwork for a renewal of its ageing executive model in the next one to three years.

All this amounts to the French car industry's most serious attempt yet to erode the traditional dominance of BMW and Mercedes over a European executive car market which accounted for roughly 1.7m vehicle sales in 1988.

Peugeot, which embraces Citroën and its own marque, unveiled the futuristic-looking Citroën XM, with its computer-controlled hydro-pneumatic suspension, last May, followed by the more conventional but stylish Peugeot 605 executive saloon in October. They are already more than fulfilling the company's hopes of boosting its formerly flagging share of the executive car market.

They form an important element in the strategy of Mr Jacques Calvet, Peugeot's ambitious chairman, to turn the group from Europe's third to its largest car-maker by the early 1990s.

Within the decade, he plans to follow them up with higher range models, to compete against Mercedes and BMW in the luxury car as well as the executive market.

The XM, the result of a FFr7.5bn investment programme, and the 605, which cost FFr6bn to bring to the market, have quickly taken a combined 31 per cent of the French executive car market, in spite of the impact of last autumn's bitter strike at Sochaux in north-east France, the 605's main assembly plant. The main victims of the success of the XM and the 605 so far have been Renault and West German imports. Renault is continuing to restyle and update its R25 – which has been unexpectedly successful since its launch in 1984 – to minimise the damage to its market share inflicted by its domestic rivals' new models.

However, Renault is undismayed by the onslaught. The R25's share of the French market for all classes of car has slipped from between 2.6 per cent and 3 per cent to between 2.1 per cent and 2.5 per cent over the past year, a far smaller decline than the state-owned group had feared. "There is clearly still a good following for the R25," says a Renault official.

Mr Raymond Levy, Renault's chairman, has promised to announce the renewal of the group's entire range before 1993, though it is possible he may announce a successor to the R25 before then – observers says by the end of next year.

Jacques Calvet (above): plans to turn Peugeot into Europe's biggest car-maker
Raymond Levy (below): to announce the renewal of Renault's entire range by 1993

Added to this, Renault's new alliance with Volvo offers the prospect of joint production of components and sharing of research ideas in the next few years, which could help in the development of a future executive car. However, Mr Levy is careful to stress there is no immediate prospect of a joint model in the executive or any other market segment.

At the root of all this activity is a feeling by French car makers that they are under-represented in the executive cars in relation to their size and that the French executive car market itself has much untaped potential. Last year, more than 235,000 executive cars of all types were registered in France, more than 10 per cent of the record 2.27m overall registrations in the same period.

This is puny compared with West Germany's executive car market, which accounted for 24 per cent of all registrations – the highest proportion in Europe – and with Belgium where the ratio was nearly 15 per cent.

This relatively resilient sector, with its attractive margins, looks all the more important for French producers as the volume car market enters the end of its longer than expected five straight years of growth.

The French push into executive cars is also a response to increasing Japanese competition at the volume end of some European export markets. France has so far managed to restrain Japanese competition at home with a quota restricting Japan to 3 per cent of the overall French car sales, but this protection may start to break down as the European Community proceeds with the abolition of trade barriers between member states.

At a European level, Renault manages a 9.3 per cent of the large car sector – including its R25 and Espace – while Peugeot and Citroën together scored a mere 3 per cent last year. Peugeot's two new models should bring a sharp improvement in that showing, though it is also how they will fare in the general decline in European car sales which began in recent months. Between 55 per cent and 60 per cent of the XM's scheduled 1990 output of 110,000 vehicles is targeted for export, while the newer 605 could add a similar number of export sales.

Curiously, French executive cars take a slightly smaller market share on their own territory than the average for the French automobile industry. In the first three months of the year, the 605 has come from nothing to take 11.8 per cent of French executive car sales, known as sector H in France. That puts it third after the R25 and the XM, market leader with 19.2 per cent of the H sector in the first quarter. The top three French executive cars hold nearly half of their domestic market.

Not surprisingly, the West Germans come in a joint fourth in the French league after the three leading French models, with the whole BMW range and the Mercedes 190 each taking 10.4 per cent of executive car sales in the first quarter of the year. Then there is a long gap, with Volvo bringing up the rear among the major car groups with 2.8 per cent of the H sector in the first three months of the year.

The battle for supremacy in executive cars comes at a time when the French producers, like their European counterparts, have been reporting record profits for their car operations. Peugeot recently produced a 16.4 per cent rise in net annual profits from FFR8.8bn to FFR10.3bn on turnover up by 10.5 per cent from FFr138.4bn to FFr153bn.

Renault reported a 5.2 per cent rise in net consolidated profits last year, from FF8.83bn to FFr9.29bn, though earnings at group level slipped backwards, from the previous year's record of FFr8.9bn, to FFr8.8bn, because of losses in the US division of the group's truck-making subsidiary.

Peugeot, Citroën and Renault, are hoping that a stronger position in executive cars will enable them to withstand the coming industry downturn better than they did the last one. They have fuller and more coherent model ranges, allowing them to compete across the full spectrum of the market. But as Renault's Mr Levy warned in a recent interview, the French industry still has a way to go before it can become as competitive as Japan, its most fearsome rival.

Italy's expanding segment E is analysed by **John Wyles**

Foreign marques fight back

AFTER several years in which the Fiat Group has taken an ever more determined grip on the Italian executive car market, 1989 saw something of a fightback by foreign marques which were once accustomed to taking the lion's share of sales.

The sharpest competition is now undoubtedly being offered by the two leading German manufacturers, BMW and Mercedes, while some of the smaller foreign presences in this segment of the Italian market are clearly feeling the pinch.

Peugeot, Audi and Renault are now struggling to hold sales with models which appear to lack the design and performance formula which appeals to the Italian buyer.

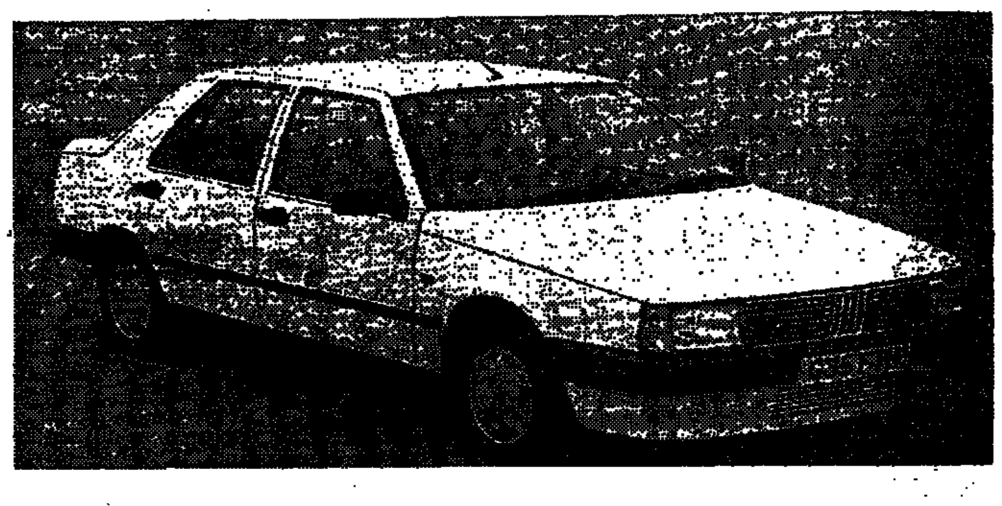
Eight years of consecutive economic growth, and rises in incomes which have kept comfortably ahead of inflation, have transformed demand for the large, comfortable high-performance saloon. In 1984, the market was still relatively small with total sales of the main executive car segment, E, barely rising above 90,000, or 5.51 per cent of that year's total domestic car sales.

By 1987, the 135,504 vehicles delivered from this segment was a healthy 6.8 per cent share of the market and 1988's total volume of 155,795 was a very healthy 7.1 per cent. Last year, sales failed to match the growth of the overall market so that the 164,802 deliveries fell back to 5.8 per cent. This is not a phenomenon which greatly preoccupies the manufacturers who have doubted at the beginning of each year whether demand for these high-priced products could continue to outstrip that for lesser models.

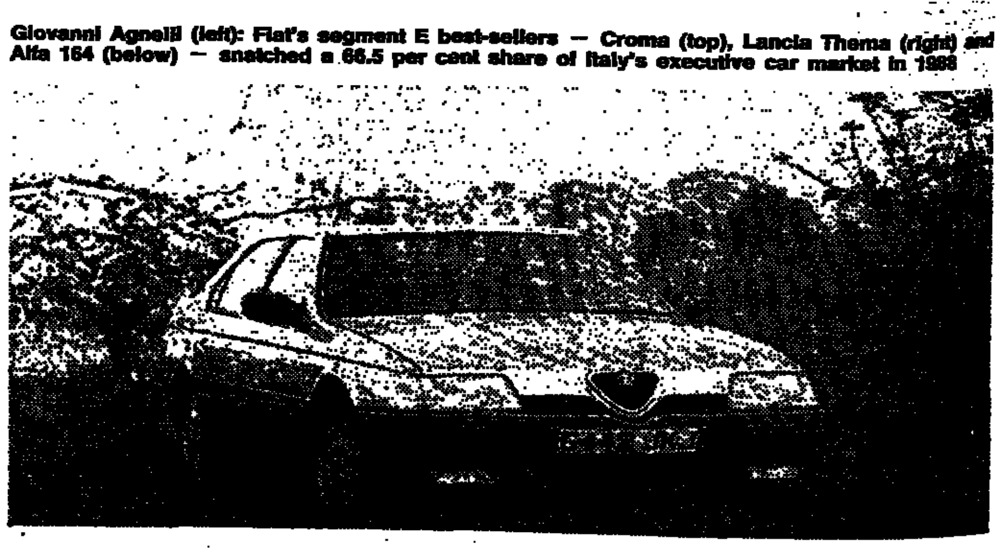
Any early pessimism about this year has been dispelled by a 4.7 per cent growth in the overall car market by the end of April, against the background of economic growth which should slightly exceed 3 per cent.

Fiat's share of segment E may well have reached its ceiling in 1988 when total sales of its Croma, Lancia Thema and Alfa 164 models reached 103,749 or 66.5 per cent of this particular market. This is substantially higher than the group's slice of the overall Italian car market which was nearly 60 per cent in that year. The same three models achieved a total sale last year of 105,149, or 63.8 per cent of segment E, a performance which reflected continuing strong demand for the Thema (plus 19 per cent) and the Alfa 164 (plus 12 per cent) offsetting a 20 per cent drop in sales of the Croma – a model which appears to be wearing less well than the Thema, although it was introduced a year later.

Clearly, the foreign force again to be reckoned with is BMW which once dominated the Italian executive car market, only to lose a great deal of ground in the mid-1980s as Fiat bulldozed in with the Thema in 1985, the Croma in 1986 and the Alfa 164 in 1987. The turning point for BMW came two years ago when a new 5-series model helped to push its sale up from 16,402 to 22,221. New additions to the 3-series last year allied to styling changes delivered a 24.3 per cent increase for the German producer whose total sales reached 27,641.



Giovanni Agnelli (left): Fiat's segment E best-sellers – Croma (top), Lancia Thema (right) and Alfa 164 (below) – snatched a 66.5 per cent share of Italy's executive car market in 1988



In Italy, BMW's spokesmen attribute the recovery to at least three factors. One is that the German company has realised the need to shorten its cycle of design changes for world markets where novelty and variety are in great demand. Thus, lengthening series of new BMW models is now reaching the Italian consumer, including this year a new Cabriolet, and a new coupe to replace the C-series. The result is that while BMW may only have four basic model ranges, these are now available in a wide variety of versions.

BMW also attributes its recovery to the physiological fact that its fleet in the hands of private owners is relatively old, and that, therefore, many are now renewing their models while staying loyal to the badge. Thirdly, the Deutschmark has weakened slightly against the lira over the past year, and this has enabled BMW to hold its prices.

This has delivered a similar advantage to Mercedes, which in 1989 saw sales of its 190 model rise by 11.2 per cent to 13,807 while its larger designs in segment F leaped by 17.1 per cent to 19,186. Maserati, Volvo and Citroën all felt the squeeze in this sector as Mercedes launched a determined sales drive based on more generous trade in prices and improvements to its deal network.

Ford had an extraordinarily good year in 1989, across the board in the Italian market. The Scorpio, its only representative in segment E, doubled the previous year's sale to 1,631 units. For its part, Renault slipped badly with sales of its 25 falling from 5,143 to 2,109.

A new version of the Alfa 164, the Green Cloverleaf, forms part of the Fiat group's plans to maintain its hold on the domestic market later this year. One new relationship worth watching which could have an ultimate impact on the executive car market is the group's purchase of a 49 per cent stake in the Maserati production company. Little is known about Turin's intentions, although no-one would be surprised to see Fiat eventually take a controlling stake from its partner, Mr Alejandro De Tomaso.

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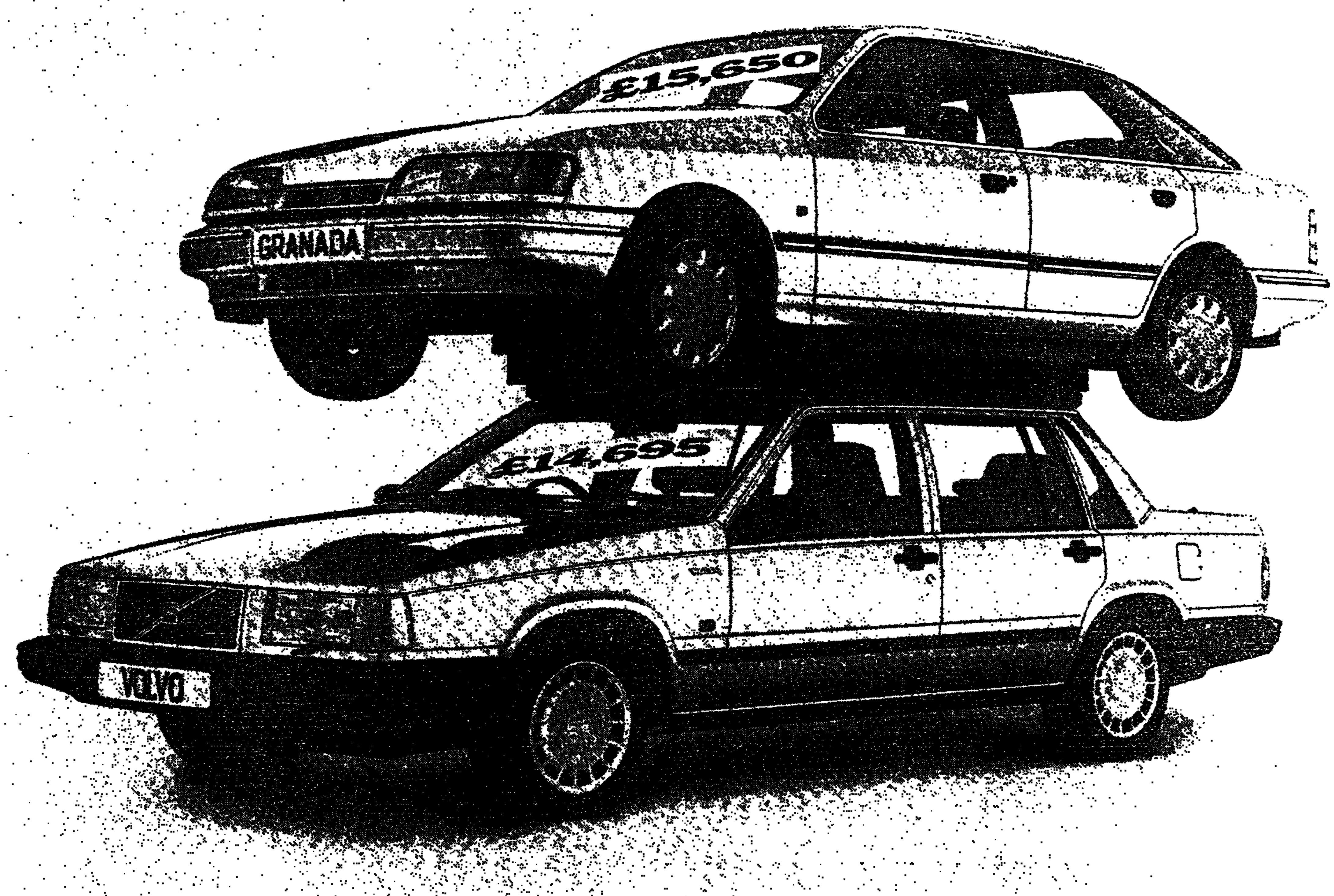

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Andrew Fisher reports on the German industry

Wary of the Asian challenge

DOMESTIC car manufacturers have the field pretty much to themselves in West Germany's growing executive car market – at present, that is. In a country with such a car-making tradition and such car-conscious consumers, this is hardly surprising. But the signs of impending battle are unmistakeable, with the new competition expected to come mainly from Asia.

Waiting below the brow of the next hill, their engines revving up in anticipation of the race ahead, are the new Japanese luxury cars. So far, German car executives have tended to shrug their shoulders, not quite dismissively, but in a way that makes clear their confidence of beating off the Japanesw threat.

In terms of image, there is no doubt the top German cars are streets ahead. Decades spent nurturing the quality of models have certainly paid off, in and outside Germany. Even though there is a limit to what people will pay – this has been shown strongly in the US as the dollar has weakened – the superior image can bear a considerable price premium.

The signs are that competition from the new Japanese Lexus and Infiniti models will be based more on quality than price in Europe. In the US, Toyota and Nissan have been selling these new up-market cars at aggressive prices which undercut their German rivals by around $10,000.

"In Germany, these new Japanese luxury cars will be sold at relatively small volumes," reckons Mr Stephen Reitman, motor industry analyst at UK stockbrokers Philips & Drew. "The Japanese will price high with a low volume target. They will want to avoid the political repercussions of going in too cheaply." At a time when European manufacturers are debating with EC politicians the policy to be adopted towards Japan in 1993, this is clearly important. Germany is an open market, but much of the rest of the EC is not. The Germans are as concerned as anyone about an increased inflow of Japanese models once the barriers fall.

At the executive end of the market, however, this is still an issue for the future. Top German managers buy German cars, or their companies do,

Von Kuenheim: relaxed about Japanese competition

and are unlikely to switch to foreign models *en masse*, whatever their price, style, or performance. In the German market, the main attention is fixed on Mercedes-Benz, the car and truck subsidiary of the Daimler-Benz group. For next year, at the Geneva motor show, the company will unveil its new S-class, the top-of-the-range limousine to replace the present generation which has lasted since the late 1970s.

Although the present S-class models have been holding their own against the sleek, more modern competition from BMW, they are clearly under a considerable handicap in the race against the latter's 7- and 5-series, launched at the end of the 1980s. With heavy spending, nearly DM2bn a year, on car development and production, both companies are striving to bring out exciting new models at much shorter intervals than in the past, as well as to cut production costs.

"A seven-year cycle is about right," says Mr Jürgen Hubbert, the Mercedes-Benz director responsible for cars. "You can't really make it shorter – new car generations need new axles, new chassis, new components, and new bodies. So it can't be shorter than seven or eight years, though styling improvements can be made at lesser intervals of four or five years." And since executive models are so highly priced, purchasers want to know they will not be overtaken by a new version every few years.

Even so, the increased pace of change obviously puts pressure on the German manufacturers. At the executive end of the market, these also include the larger models of Audi, the up-market subsidiary of Volkswagen, and the larger cars of Ford (Scorpio) and Opel (Senator). For the independent businessman, the luxury sports models of Porsche, now in restored financial health after its US-induced problems of a few years ago, are also an attractive option.

With Europe's population gradually ageing, the scope for executive and luxury car sales is obviously expanding, since advanced years usually mean amplified incomes. "The overall market is expected to grow. The demographics are very exciting for the car-makers," notes Mr Reitman. That is why Ford Motor and General Motors have decided to spend heavily on acquiring an enhanced image through their expensive purchases of Jaguar and Saab.

With the Japanese and the newly American-owned Europeans on their heels, Germany's manufacturers will clearly have to start looking more lively. Toyota's Lexus will be available in Germany from late September at a similar price to the comparable Mercedes and BMW models. However, the Lexus will have more equipment for its price than the German cars. In the first full year, Toyota aims for sales of around 600 Lexus cars.

Compared with the volumes sold by the Germans, this is still modest. In the first quarter of 1990, Mercedes produced 24,000 S-class models against 20,700 the year before; these included 5,000 of the successful, and expensive, new SL sports car, the forerunner of the next S-class generation. BMW's output of its 7-series was 60,000 cars (a 20 per cent rise) and that of the 5-series was 12,700 (4 per cent higher).

In Germany, sales of the new SL totalled 1,000 cars, with the rest of the S-class edging up by 1 per cent to around 4,100. BMW saw its 7-series slip by 5 per cent to 4,400 in Germany in the first three months, but the newer 5-series, also in the executive range, gained 11 per cent to 23,400 cars.

Looking ahead to the much-touted new competition from the Lexus and Infiniti, Mr Hubbert of Mercedes says: "We are convinced we can handle it." Mr Eberhard von Kuenheim, BMW's chief executive, also appears relaxed about the Japanese luxury cars. Yet behind their cool response must lie more than a twinge of anxiety.

John Burton analyses the radical transformation in Sweden

Volvo and Saab go foreign

SWEDEN'S two car-makers, Volvo and Saab, have been radically transformed in the past six months. They have been forced to face reality and acknowledge that their strategy of concentrating on executive cars has failed to protect them against the fierce competition.

With Volvo suffering a fall in profits and Saab awash in red ink, both companies have sought foreign partners. General Motors in a $600m deal last December acquired ownership of half of the Saab motor division, which was split off from its Saab-Scania parent company into a new joint venture, Saab Automobile.

Meanwhile, Volvo has concluded a complex cross-ownership arrangement with Renault in which each company bought 25 per cent of the other's car division. They plan to co-operate on the procurement of components and share development costs in what may be a prelude to a full-scale merger.

Although these alliances strengthen their chances of surviving, they still face bleak years. Mr Georg Karnsund, the chief executive of Saab-Scania, warned in April that Saab Automobile is expecting heavy losses for some time to come, contradicting earlier hopes by Mr David Herman, Saab Automobile president, that the new company could post profits by the end of 1991.

The Saab car division reported a SKr2.1bn ($346m) operating loss for 1989, after a modest SKr11m profit in 1988. Saab auto sales have slumped since 1988 when Mr Karnsund was boasting to shareholders that "it is a matter of selling everything we have the capacity to manufacture". Retail sales dropped by 15 per cent during the first quarter of 1990 to 24,700 from 29,200 for the same period of 1989. This followed a 5 per cent decline in unit sales to 109,482 cars in 1989 from 115,043 in 1988, resulting in a 5 per cent fall in

Although the alliances strengthen the chances of survival, the companies still face bleak years

sales results to SKr15.3bn from SKr16.1bn the previous year.

Falling demand in North America, where sales dropped by 17 per cent to 32,508, was the main cause for Saab's sagging results last year, with sales in Western Europe outside of the Nordic region growing by 5 per cent to 32,885. Sales of the Saab 900 model fell by 9 per cent to 59,500, while sales of the 9000 series remained unchanged at 50,000. The Saab 9000 and the 900 Turbo are regarded as the company's executive car segment and they accounted for 59 per cent of total Saab car sales.

The gloomy forecast has increased speculation that Saab-Scania is planning to let General Motors assume majority ownership of Saab Automobile because of its bigger financial resources and dominating position in the North American market, where Saab traditionally has had its largest sales.

General Motors has already taken over Saab's distribution in Canada in spite of the fact that both companies stressed Saab cars would continue to be sold through Saab dealerships.

With GM's financial backing, Saab plans to introduce three new models within the next five years following the 9000 series, unveiled in the mid-1980s. Two of the proposed models will replace Saab's top-of-the-line 9000 series as well as the 20-year-old 900 series, while the third will aim at the upper reaches of the luxury segment.

GM views Saab Automobile as its springboard into the European executive car market following its failure to acquire Jaguar.

In contrast to the dramatic upheaval at Saab, Volvo is taking a more cautious approach. But it may have to accelerate its restructuring if its profits continue to fall.

Volvo's prime entry in the executive class market is the 700 series, but this segment is little affected by the company's actions in overhauling its car division. Volvo's co-operation with Renault may take several years before it produces results in developing new technology.

Meanwhile, Volvo's development spending has been largely consumed by designing a successor to the 20-year-old 200 series. The launch of the new car is due next year. Volvo is also planning to relocate some car production to its assembly plant in Ghent, Belgium, where costs are lower.

Volvo's car sales are being hit by the same factors affecting Saab. Sales for its 200 and 700 series, which are made in Sweden, fell by 6 per cent to 67,000 during the first quarter of 1990 from 71,000 in the same period a year ago. Sales results for the car division during the first quarter declined by 4 per cent to SKr10.5bn compared to SKr11bn a year earlier.

The car division's profits for 1989 dropped by 46 per cent to SKr1.94bn from SKr3.6bn in 1988, although sales results climbed by 9 per cent to SKr42.9bn. While there was a 1 per cent increase in sales volume to 405,600 cars, this was mainly due to the medium-sized 300/400 series produced in Holland. The 700 series remains the company's largest car segment. An estimated 200,000 models of the 700 series are expected to be produced this year compared with 80,000 for the 200 series.

High interest rates have hit the UK market, says **John Griffiths**

Consumers tighten their belts

AFTER five years of record sales, the UK new car market is feeling the effects of high interest rates.

Total new car sales in the first four months of the year were down 8.9 per cent and early May figures suggested the trend is accelerating.

Belt-tightening has come to the corporate sector as well as to individual consumers. Corporate incomes are static and gross profits have also been pared by steeply rising labour costs. The consequence is that, far from being exempt from the new car sales downturn, the executive sector offerings of some manufacturers have fared a lot worse than the market overall.

Rover, for example, has begun a third round of lay-offs to prevent a stocks build-up of its Rover 800/Sterling executive cars. The move comes against the background of a 33 per cent fall in first quarter UK sales of the 800/Sterling compared with the same period last year, although the Sterling's poor sales record in North America is also a factor. Sales of Vauxhall's Carlton and Senator ranges are also about one-third down.

Ford has experienced a fall of only 9 per cent so far this year. But this is largely accounted for by its belated introduction of a saloon version of its Granada/Scorpio. Ford's own research shows that by only offering a hatchback for five years, it had been missing out on two-thirds of potential sales.

The more prestigious manufacturers specialising in the executive and luxury sectors are also being badly hit. BMW's sales were down 15 per cent, on a year-on-year basis, in the first four months but the drop in April was even sharper – just over 25 per cent.

A worse picture emerges at Jaguar, whose sales were down 24 per cent in the first four months and one-third in April. Even Mercedes, which has successfully pursued a policy of steady if unspectacular growth for more than a decade, went into reverse. Its sales in the first four months were down by nearly 6.5 per cent and in April alone by 25 per cent.

With interest rates appearing set to remain high, few industry analysts expect any early reversal of the downward sales trend.

The situation might be an increasingly gloomy one for manufacturers. But it means a buyer's market for those who are not postponing purchase decisions. Discounting and other inducements are on the increase among manufacturers increasingly anxious to "move metal".

Illustrative of these pressures, Ford UK early in May announced 28 per cent lower pre-tax profits for last year,despite achieving record unit sales.

Part of the drop was attributable to costs associated with Ford's purchase of Jaguar and a weaker pound increasing import bills.

But a significant factor also was the increasing amount Ford has felt obliged to spend on

The executive sector offerings of some manufacturers have fared a lot worse than the market overall

advertising, sales volume-related financial incentives to dealers and low-cost finance schemes. Mr Derek Barron, Ford UK's chairman, openly acknowledged the results to be "convincing proof" of increasing competition.

There is zero prospect of this competition diminishing. Quite apart from the swings and roundabouts of competition between the three manufacturers who between them dominate the mainstream executive market, Rover, Vauxhall and Ford, Peugeot Talbot in the next few months will enter the market with the Peugeot 605, its first really serious contender in the sector for about a decade, while sister company Citroën is carving out ever-larger sales for its XM, launched in the UK late last year.

In the medium term, however, the European-based contenders will face an increasingly serious threat from the three Japanese producers, Nissan, Honda and Toyota.

Nissan will shortly launch its UK-built Primera saloon. That is pitched against mainstream fleet cars such as Ford's Sierra and Vauxhall's Cavalier. However, it is also widely acknowledged as a far superior car to its Bluebird predecessor.

If fleets start thinking Nissan, attention will be more easily directed towards new generations of equally competitive executive sector cars Nissan is entitled to bring into the UK in large numbers.

Toyota, once its Burnaston, Derbyshire, plant with a capacity to produce up to 200,000 mediums saloons a year is operative, will also be free to bring in large volumes of executive models, as will Honda once its Swindon plant is up and running.

"Over the next two years there are likely to be significant changes in the attitude towards Japanese cars," concludes a study of 2,000 companies' vehicle policies undertaken for Lex Vehicle Leasing, part of the Lex Service group which also includes the UK concessionaires for Volvo.

Cadillac is the leading US luxury car-maker with annual sales of nearly 267,000

After the furore, **Karen Zagor** sums up the US market

Oriental fanfare muted

THE entry of Toyota and Nissan into the US luxury car market late last year was hailed with great fanfare. But the furore has abated with sales falling below targets amid overall weakness in the US car industry.

Foreign players have been lured into the US luxury car market by the spectre of big profits. The US is the biggest market in the world for executive cars and it is traditionally lucrative, if profit is measured as a percentage of price.

Furthermore, it is fairly safe for established players, since luxury car sales are generally impervious to the health of the economy.

Even now, when sales for most types of automobile have fallen in the US, sales of luxury cars, while not growing, are not falling either.

Although the new Japanese entrants did their research thoroughly – Toyota even sent a group of researchers to the wealthy Pacific town of Laguna Beach to study the market – they did not foresee the drop in demand for cars generally nor the flat sales in the luxury car market.

Instead, Toyota had counted on the overall US luxury car market growing to about 1.08m units this year from about 965,000 last year, reaching 1.4m by 1995. But sales have stabilised at 1m. Anticipated sales for Toyota's Lexus have been reduced to about 60,000 for this year from about 75,000, while projected sales of Nissan's Infiniti are expected to fall about 15 per cent short of the 35,000 to 40,000 cars Nissan had hoped to sell this year.

Leading competitors see the shortfall in sales as a slight blip rather than a big setback. "The Japanese are formidable competitors for everybody," said Mr Vince Muniga, spokesman for GM's Cadillac division. "We're watching them. So is everyone else."

Before Toyota and Nissan decided to make their foray into the US, the only big Japanese player in the market was Honda, whose Acura has sold respectably since 1986.

Their plan was to offer a car as attractive as the European models, such as a BMW or Mercedes, at a fraction of the price. It was thought that the baby-boomers, now moving into high-income years, would keep their brand loyalty while moving to more expensive models.

The top-of-the-line Nissan Infiniti Q45 and Toyota Lexus LS400 sell for between $25,000 and $40,000, while BMWs and Jaguars sell for considerably more.

The slowness in sales has not quelled the initiative of car-makers in the luxury car market. Honda plans to introduce a sports car version of its Acura which can attain speeds of 160mph and is priced at about $60,000, although sales of Honda's Legend flagship have fallen since Toyota and Nissan moved into the US.

Meanwhile, US manufacturers are also stepping up efforts to hold on to a large piece of this lucrative market. Cadillac, which is the leading US luxury car-maker with annual sales of nearly 267,000 in 1989, is considering introducing a new car, the Aurora, which will be quite

US manufacturers are stepping up efforts to hold on to a large piece of this lucrative market

different from the traditional Cadillac. The Aurora is a four-passenger, four wheel-drive car without the Cadillac trademark of sharp edges and chrome.

In spite of its leadership in the US luxury car market, Cadillac is not complacent. "There's a lot of competition out there, said Mr Muniga. "Ten years ago, there was only really Lincoln, Chrysler, Cadillac and a few foreign cars. Now it is a very competitive market and everybody wants to play."

Cadillac has worked on remodelling its cars to stay ahead. When its Fleetwood model was lengthened in 1988, sales in the Fleetwood/DeVille line jumped to 170,459 from 160,291 a year earlier.

If Cadillac goes ahead with the Aurora, it will be its closest direct competitor with the Lexus and Infiniti. The Aurora is since it is aimed at the younger driver who is more concerned with performance. Given the softness of the US luxury car market, however, Cadillac said it will need to do a lot of market research before introducing a new car.

There are also signs of a revival for the big American luxury car. Ford Motor's Lincoln Town car was recently voted Car of the Year for 1990 by Motor Trend magazine. The car is 18ft 4in long and weighs more than two tonnes. This is the first time in 38 years that a four-door luxury sedan has won the award, and the first time Lincoln has won it.

Cadillac's next big changes are slated for 1992, when it is planning new sheet metal in Seville and Eldorado lines.

One problem faced by all is the formidable tax deterrents to owning a company car. Recent changes in the tax laws mean personal use of a company car is considered taxable income.

The result is that some executives find it cheaper and less time-consuming to lease cars rather than own a luxury vehicle.

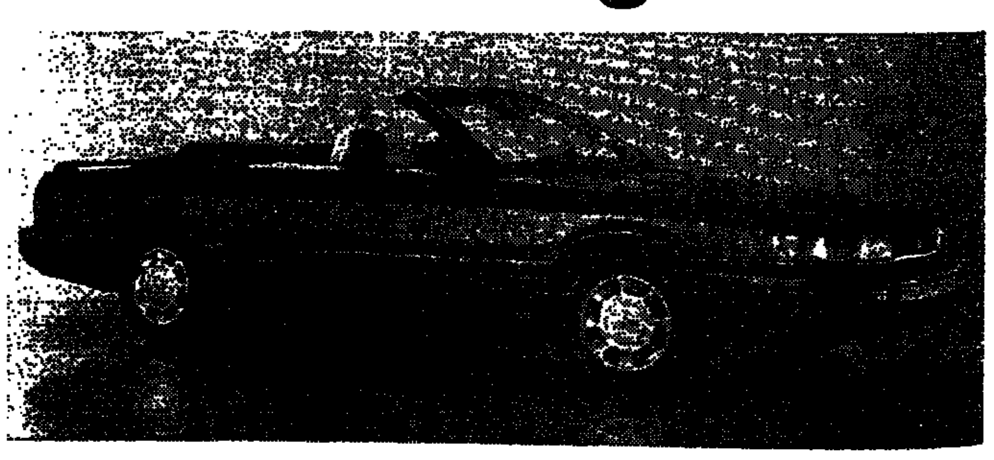
Ian Rodger discovers the Japanese definition of a luxury car

Back to the drafting room

THE debuts of Japan's first luxury cars last year has faded into history and the real action has moved back to the boardroom and the drafting room.

Toyota's Lexus and Nissan's Infiniti may still be attracting a lot of attention overseas but luxury car sales in Japan are the niche of the West German manufacturers, and few people believe German domination of Japan's luxury car market will wither and die.

"Many people talk about the growing market in super luxury cars and how Japanese manufacturers are raising production, but it's not true," Mr Takayuki Imajo, spokesman for the Japan Automobile Manufacturers Association (JAMA) says.



Nissan's Infiniti: part of Japan's frontal assault against the stylish foreign competition

Since luxury cars are such a small part of the regular Japanese car market, data is scarce, Mr Imajo says. "Some people said Japanese makers couldn't produce a personal luxury car, but the Lexus and Infiniti prove they are capable." It is even tough to define what exactly a luxury/executive car is in Japan. Without a doubt, Toyota's Lexus and Nissan's Infiniti Q45 are Japan's frontal assault against top-of-the-line Mercedes, Jaguar, BMW, Volvo and other stylish car-makers. A notch down, the pricy Nissan Cima along with Toyota's Crown and Cressida are definitely nothing for any high-powered businessman to be ashamed of; but are they really "executive cars"?

And what about prestige European models that try to cheat with less than 2,000cc under the hood? And don't forget, there're always Nissan's President and Toyota's Century – an upper-level bureaucrat's favourite, and always highly polished. Big, comfortable and powerful, but hardly the car in which you would want to show up at the yacht club.

Although defining an executive car may not be easy, you tend to recognise them when they drive by. And in Tokyo, most of them are German. BMW, though most of its models do not have executive car dimensions, has seen sales go through the roof since the early 1980s. The last year that Mercedes-Benz outsold BMW in Japan was in 1983 and by 1988, BMW unit sales of 26,826 exceeded Benz sales by 4,000. Together with the over 11,300 Audis registered in 1988, the three makers accounted for around two thirds of the total 68.7 per cent West German share of all import sales.

While US cars, mainly General Motors, showed the biggest sales increase in 1988, you

Few people believe German domination of Japan's luxury car market will suddenly wither and die

would never know it from a walk down the street. Even Japanese gangsters, who have traditionally favoured the big US cars, have apparently deserted in favour of the German cars, according to Mr Imajo.

Facing the other way, Nissan and Toyota are focused mainly on the premier US market. Since Toyota's Lexus LS 400 and ES 250 hit the market last fall, around 34,500 cars have already been sold in the US, 18,300 during the first four months of this year. Toyota's US sales target for 1990 is 60,000 units, with more than twice as many LS 400s as ES 250s likely to be snapped up.

In the domestic market, Toyota managed to sell 2,671 Celsiors (LS 400s) last fall. Even though this year already more than 7,000 Celsiors have been registered. Toyota says customers have to wait over a year for delivery. The company produced more than 20,000 LS 400s in 1989 along with more than 9,000 ES 250s.

Nissan, which started selling the Infiniti in the US and Japan in November, two months after Toyota, sold around 1,072 cars in the US in December, about 120 more than in Japan. But Japan's No 2 car-maker saw US sales slump for the first three months of 1990 to just over 2,300 units, nearly 1,000 fewer units sold than in the domestic market.

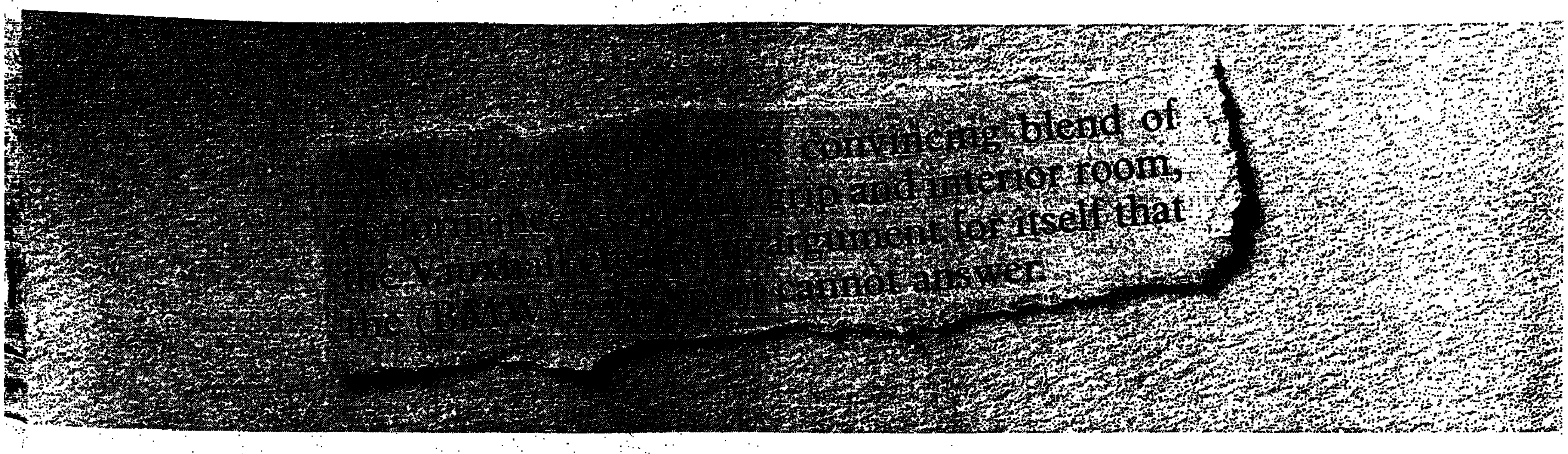
While a Nissan spokeswoman says the company has "no plans to release Infiniti in the European market at present", Toyota's LS 400 went on the market in Switzerland, with plans to hit the rest of Europe, starting with the UK in June. Japan's biggest car-maker is forecasting sales of 2-3,000 units a year in Europe.

Despite its small share of the whole pie, prospects for the luxury car market in Japan look promising. Sales for "standard" sized cars (engines over 2000cc) soared from around 111,500 in 1987 to a few thousand short of 300,000 in 1989, with total domestic market share more than doubling from 3.5 per cent to 7.4 per cent, according to data from the Japan Automobile Importers Association and Toyota.

In Japan, so-called standard-sized cars are those with the biggest engines, although they by no means all qualify as luxury cars. The Infiniti's 4,494cc V-8 and the LS 400's 4,000cc engine (top speed, 150mph, according to Toyota), together with prices in the $36,000 range definitely qualify. On the other hand, some BMWs and Benz's have engines in the 1,500-2,000cc range, the same as a Volkswagen, though most are in the 2000-4000cc range.

One factor behind rising luxury car sales in Japan is the lower cost of buying and owning a car since the government enacted tax reforms over a year ago, abolishing the old commodities tax and slashing acquisition and automobile taxes. The tax change amounts to a 51 per cent reduction on the purchase tax for standard-size cars, plus a 30 per cent reduction of the ownership tax. A car with a 3,000cc engine that used to cost Y3.3m now costs Y2.83m.

Another impetus to sales is the rise in disposable income among consumers. According to an annual survey conducted by the Nikkei Sangyo Shimbun, a daily industrial newspaper, out of 1,500 people polled last July, 10.5 per cent said a Y4m car purchase was within their reach. Moreover, one out of five people said they would buy cars with engines bigger than 2,000cc next time around.



THE ULTIMATE DRIVING MACHINE IS NOW THE PENULTIMATE DRIVING MACHINE.

According to Autocar & Motor, the BMW 535i Sport (0-60 in 7.4 seconds) has been overtaken by the Carlton GSi 3000 24-valve (0-60 in 7.0 seconds).

Naturally, no-one buys a sports saloon for its acceleration alone.

So they very kindly pointed out that the Carlton also beats the BMW on cornering, economy, gearing, torque, throttle 'feel,' rear passenger space, boot space and standard equipment.

Nevertheless you may take the view that this is only Autocar & Motor's opinion.

In which case we'd refer you to 'What Car?,' whose opinion of the Carlton is so high they voted it Sports Saloon of the Year. Above the BMW.

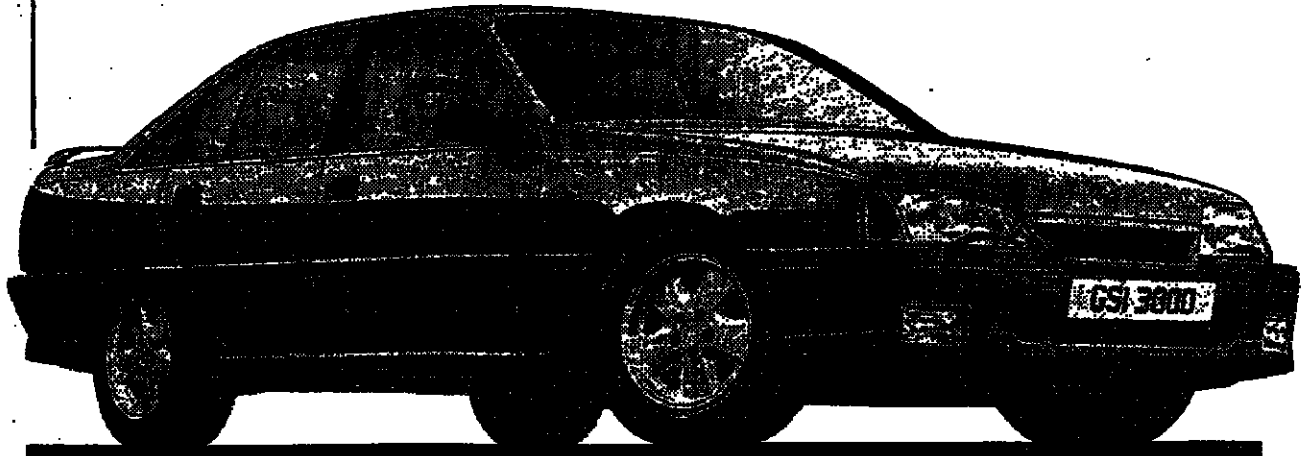
Of course, you shouldn't believe everything you read in the papers, even if they do all say the same thing.

Instead, why not test drive both cars?

That way you can make up your own mind.

Leave yourself plenty of time, though. With the Carlton costing £6,070 less than the BMW, you'll have enough money left to make it worthwhile testing a Nova as well.

THE CARLTON GSi 3000 24v.



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VAUXHALL IS BACKED BY THE WORLDWIDE RESOURCES OF GENERAL MOTORS. CAR SHOWN IS CARLTON GSi 3.0i 24v 4dr – PRICE £24,605 INCLUDING CAR TAX AND VAT BUT EXCLUDING NUMBER PLATES AND DELIVERY. QUOTE: AUTOCAR & MOTOR 17 JANUARY 1990. FOR MORE INFORMATION INCLUDING DETAILS OF THE VAUXHALL ASSISTANCE WARRANTY SCHEME RING 0800 444 200.

Daniel Ward examines the fad for alternative models

Demand for classics wanes

A YEAR ago the clever thing to do appeared to be to swap the company Granada or Rover for something a little more interesting, an Austin Healey 3000 perhaps or an elegant Mercedes SL sports car. It represented a chance to have the car stand out in the company car park packed with BMWs and Mercedes.

The trend towards giving employees, particularly key players, the freedom of a specified monthly car budget rather than a narrow car choice list, clearly made stepping into a classic car easier.

Several leasing companies helped encourage defection from the ranks of stereotype company cars by offering to lease classic cars such as Aston Martin DB6s or two-seater Mercedes. It was not lost on executives that the maintenance contract could be used to progressively restore the vehicle and at the end of the lease the "owner" would have an opportunity to buy the car at a very favourable price. The Chancellor's leniency towards drivers of company cars more than four years old was an added incentive.

However, the present economic climate has taken its toll. It is no longer possible to dazzle the company finance director with impressive figures showing that classic cars are a sure-fire guarantee of capital appreciation in the way that traditionally chairman have justified their Rolls-Royces.

The classic car market in Britain is suffering from over-supply and a shortage of buyers. Hundreds of cars have been imported from America to cope with a demand which has waned in line with the rising interest rates. The explosion in Ferrari prices last year, particularly the 328 GTB, has produced the inevitable backlash and the dearth of newer Ferraris for sale suggests many owners who bought at the top of the market last year would face losses if they sold them today.

Aston Martin prices climbed strongly in the wake of the demand for Ferraris and now the value of the British cars has slipped back. Jaguar E-Types looked like a certain investment a year ago yet the value of some models is now static, others have fallen slightly.

The interest in classic cars as company cars would never have occurred if depreciation was not such a significant part of overall running costs. Even for a vehicle with a good resale value, such as the VW Golf GTi, depreciation can be £1,840 annually compared with the cost of insurance, servicing, petrol for 12,000 miles and road fund licence of about £1,350.

The slackening demand for new cars in Britain this year has heightened the discounting of bread-and-butter models by the big manufacturers. Discounting of £1,000 or more per car will inevitably have a deteremental effect on residual values. However, protection against heavy depreciation is possible by choosing vehicles carefully.

Logically, any model that is in short supply will be a safe bet as dealers will not be discounting and there should be good demand for low mileage second-hand models thereby ensuring depreciation is kept to a minimum. It is too early to forecast accurately the depreciation of the new Rover 200/400; however, delivery times of several months suggest good residual values for the next year or two.

A list of the 13 lowest depreciating models compiled by Leasecontracts illustrates the point that any car sold in relatively low volumes and likely to find keen buyers in the second-hand market, is going to be cheaper to run than similarly priced rivals. Significantly, these models generally fall far outside the run-of-the mill company/fleet car market.

For the executive with a large family the capacious seven-seater Renault Espace is a more practical alternative to a four-door saloon in the Honda Accord class. However, the Renault retains 56 per cent of its original value after three years and the low depreciation means the leasing cost is almost 10p a mile cheaper than the Honda, yet both cost more than £19,000.

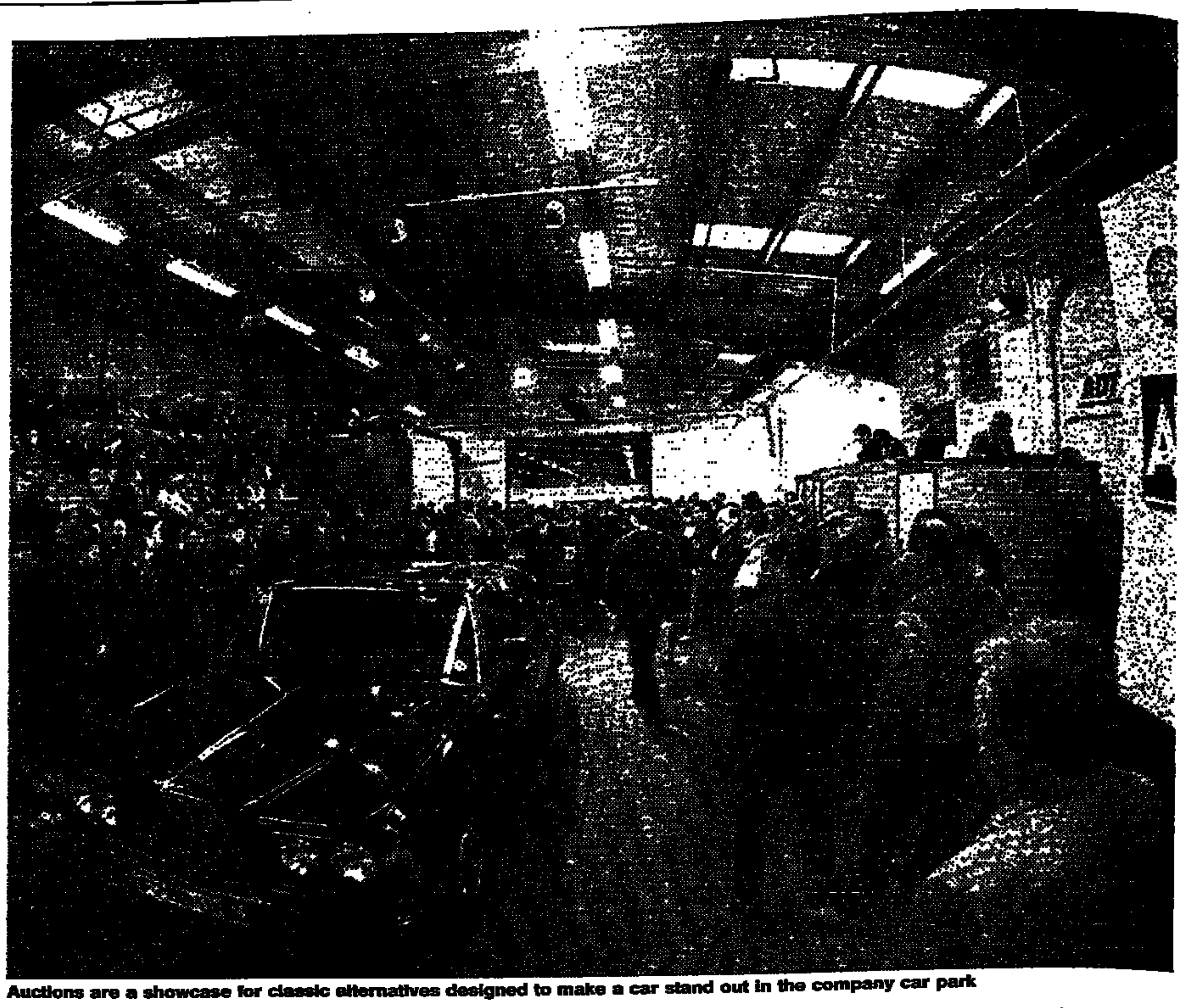
The only Ford in the low depreciation ranking is the Fiesta XR2i and that is simply because of the strong demand for the car in the second-hand market where it has a reputation for being cheap to run and reliable.

Above the Ford in seventh and ninth places are the Toyota MR2 and Toyota Celica GT. No-one rushes to buy a two-year-old Jaguar or BMW flagship model but the demand for popular used sports cars is strong.

Sports cars feature strongly in the ranking. The evergreen Mercedes SL is top of the list with a remarkable 75 per cent of its original value retained after three years. The Porsche 911 (65 per cent) is ranked third behind the Mercedes 124 mid-range.

Off-road four-wheel drive vehicles are an unexpectedly good buy. Drive a Mitsubishi Shogun or Range Rover Vogue for three years, covering 36,000 miles and the company accountant can expect to recover 62 per cent of the original value when the vehicle is sold. The Range Rover will probably consume 50 per cent more fuel than a Rover 827 Vitesse – additional cost about £300 a year – yet will depreciate little more than £3,000 annually. In the first year the Vitesse may lose £6,000, highlighting the downturn in the executive car market this year combined with weak second-hand values across the market.

BMW sells only a *few* hundred flagship 750i V12 models in Britain yet low depreciation is not one of the claims made for the German machine. The Leasecontracts ranking shows that it is the BMW 325i convertible (61 per cent of value retained after three years) and 520i SE (57 per cent) which are the best cars from the Munich firm if minimising depreciation is the priority.



Auctions are a showcase for classic alternatives designed to make a car stand out in the company car park

Kenneth Gooding discusses company policies

The choice widens

ALL THE evidence suggests that recruitment and retention of talented senior management is becoming more difficult in the UK. The recent Guardian Index of Top Executive Pay showed salary increases for Britain's highest-paid directors are running at more than 33 per cent a year.

Yet there does not seem to have been any compensating reduction in the value of perks offered by corporations to their senior executives. For example, recent research also suggests that managers have been allocated a wider choice of more-expensive executive cars. And the car remains the most popular perk for senior managers.

Granada 2-litre: popular among senior managers

The latest annual survey of executive perks from the PE Inbucon consultancy shows, not unexpectedly, that 100 per cent of UK managing directors have full use of a company car, whereas only 96.7 per cent were given free life assurance and 91.5 per cent free medical insurance.

According to PE Inbucon, in 1979 an average of 69 per cent of all UK executives had full use of a company car yet 92.8 per cent were covered by life assurance schemes. By 1989 the company car average had jumped to 78.6 per cent while the life assurance perk had eased up to 93.2 per cent.

Another indication that companies are competing harder for management talent is that executives are being given more freedom to choose the company car. The remuneration package for any job can be made much more attractive if the executive is given a relatively wide freedom of choice about the perk car.

Clear evidence that the car is a valuable recruitment and effective motivation tool has been provided by the Executive Car Survey conducted by Hertz Leasing and HR&H Marketing Research. That survey showed 26 per cent of executives agreed that "gaining a company car would be even more important than a salary increase when changing job".

Even more significantly, 11 per cent put especially high value on the provision of a company car by agreeing with the statement that "a better car, even without a salary increase, is a strong incentive to change jobs." The study suggests that "given the extreme nature of this statement, this should be regarded as a surprisingly high figure".

The concept that a better car "is a strong incentive to work for promotion" was greeted with general agreement. But decision-makers at director level had a greater belief in its effectiveness than their juniors' attitudes warranted. Some 62 per cent of directors agreed with the statement compared with 53 per cent for middle managers and salespeople.

The Hertz study showed there was overwhelming support from all levels within corporations for implementing clearly defined company car structures, setting choice and model parameters. Some 90 per cent agreed that a structure was important, with 87 per cent agreeing that "the choice of car should improve as you become more senior."

Much of the research suggests that a user-chooser system for senior executives is the best one for a company to implement – one where the individual executive has complete freedom of choice within certain cash limits.

The latest Monks Guide to Company Car Policy shows the steady increase in freedom of company car choice is not confined to senior management. For example, between 1987 and 1989 the number of salesmen in companies surveyed by Monks who were given the choice of "any car" within certain price limits rose from 24 per cent to 30 per cent of the total. The percentage rise for area sales managers was from 31 to 43. Over the same three years the number of senior managers offered a free choice of car rose from 45 per cent to 55 per cent while the change at director level was from 63 per cent to 69 per cent, according to Monks' research.

Monks says further evidence that there is more freedom of choice comes from statistics about the proportion of companies using a capital cost cash limit, which has increased for most job categories.

The cash value of the company car perk is considerable, of course. The Brussels office of the Wyatt consultancy group recently estimated that the value of a company car, tax free, to a chief executive in the UK averaged £7,581 a year. The value to directors of marketing, of sales, of finance and of personnel was £6,478, £5,888, £5,424, and £6,866 respectively.

Apart from the monetary value, the company car has the great attraction of removing from the user all the hassle involved in buying and selling, licensing, insuring and maintaining the vehicle.

Another important consideration in the UK is that the car which has been provided gives an instant indication of a manager's status within the company. Monks Guide points out that the provision of "status" cars is linked closely with salary. The median salary level at which status cars are allocated rose in this year's survey from £17,501-£18,000 to £19,000-£19,501.

The survey indicates that 26 per cent of chairmen and 12 per cent of chief executives can chose any car they want with no limitations whatever. However, for those companies which imposed cash limits, the median cash limit for the chairman's car last year was £28,500 and for the chief executive's it was £25,500.

According to Monks, 24 per cent of chairmen chose Jaguar or Daimler executive cars, not including the 13 per cent who chose the Jaguar-Daimler XJ6 4-litre models. Mercedes-Benz models were the choice of 14 per cent of chairmen. The percentages were very similar for chief executives: 19 per cent chose Jaguar-Daimler XJ6 4-litre models; 23 per cent opted for other Jaguar models while 12 per cent went for Mercedes cars.

The Ford Granada range accounted for 27 per cent of the cars made available to "other directors" in the companies surveyed; 21 per cent chose Jaguar-Daimler; 14 per cent went for the big Rovers and 10 per cent for Mercedes.

Ford Granada 2-litre models were the most popular cars for senior managers and were made available to 20 per cent, followed by Rover models (13 per cent), BMW cars (9 per cent) and other Ford Granadas (9 per cent).

John Griffiths asks if the image of a desirable car is changing

Fuel-gulpers under fire

WEST Germany is the only developed country in the world which does not impose a speed limit on its motorways. In an increasing number of countries, rising traffic densities have meant that even posted speed limits may not be achievable during peak periods – and, increasingly, even outside them.

Most industry analysts are forecasting substantial further increases in vehicle ownership per capita, causing yet more congestion. Meanwhile, the very concept of high-powered, fuel-gulping performance cars is coming under increased fire from environmentalists against a background of concern against global warming and other vehicle-linked pollution issues. In all these circumstances, is it possible that the images of what represents a desirable executive car will change?

Will the dominating attributes of refined power, speed and handling become less valued as the opportunities actually to employ them diminish? Are there, in fact, already signs of such shifts taking place and if so, towards what?

The very rapid rate at which one new – at least in Europe – sector of the vehicle market, that for lavishly equipped, seven or eight-seat vans or "people carriers", is growing suggests that they might be. Even manufacturers, however, appear uncertain whether the sector's fast expansion represents a threat to the existing executive car market, or is simply one more manifestation of the world marketplace in vehicle fragmenting into an ever greater number of niches.

That manufacturers specialising in the executive car sector are taking a close interest in "people carriers" is no longer in doubt. Precisely such a vehicle is being developed by Mercedes-Benz of West Germany, reputedly code-named F100. Disguised prototypes have already been spotted on the roads, with Mercedes reported to be planning to launch the model in the mid-1990s.

Meanwhile, Renault is about to launch the latest version of its sloping-nosed Espace seven-seater. The Espace pioneered the "people carrier" market in Western Europe, starting in the early 1980s, and production is running at more than 60,000 units a year.

It was soon joined by competitors from Japan, notably the Toyota Space Cruiser, Mitsubishi Space Wagon and Nissan Prairie. The Toyota and Nissan vehicles are now in their second generation. Together, they accounted for some 10,000 sales in the UK last year.

Most analysts are forecasting further increases in vehicle ownership, causing yet more congestion

Still at a relatively embryonic stage is collaboration in the sector in Europe between Ford and Volkswagen. They have jointly launched a feasibility study into an Espace-type vehicle, based on the floor plan of the VW Passat saloon, and are due to make a decision whether to put it into production by the end of this year.

Chrysler, the third largest US vehicle-maker and which already has the Voyager van in the US as one of its sales mainstays, is already committed to production of a counterpart within Europe.

It has signed an agreement with the Austrian Government and Steyr-Daimler-Puch, the Austrian automotive and engineering company, to form a joint venture company in Graz to assemble the Voyager.

The Sch4.33bn ($370m) project provides for an eventual capacity to produce 100-125,000 vehicles a year.

In the first phase of the project the two companies will invest Sch1.6bn to establish an initial production capacity for 25-30,000 vehicles a year. Production is due to begin in the first half of next year. Initially, Chrysler is aiming to reach a 60 per cent European local content, but this is planned to rise later to 70 per cent in the second stage.

The third stage will increase capacity to 50-70,000 vehicles a year, with capacity rising to 100-125,000 in the final stage.

Ford already has its Aerostar minivan well-established in North America, but is looking to a joint venture with Nissan to provide the next generation. The idea is that their joint "MPV" (multi-passenger vehicle) will be manufactured at a Ford plant in North America, but will be designed and engineered by Nissan.

Prices for such vehicles are often well into the executive sector – Renault Espace prices in the UK, for example, start at above £15,000. Nevertheless, the evident conviction of Chrysler, for one, that there is a potentially large market to be tapped into in Europe has strong precedent to draw on in North America. Ford, for example, sold 188,130 Aerostars in the US last year, and Chrysler some 185,000 Voyagers.

This year, all will be watching closely to see how General Motors performs in the sector, following the launch of its futuristic-looking Chevrolet Lumine, Pontiac Trans Sport and Oldsmobile Silhouette ranges, all of which use plastic, rather than steel bodies.

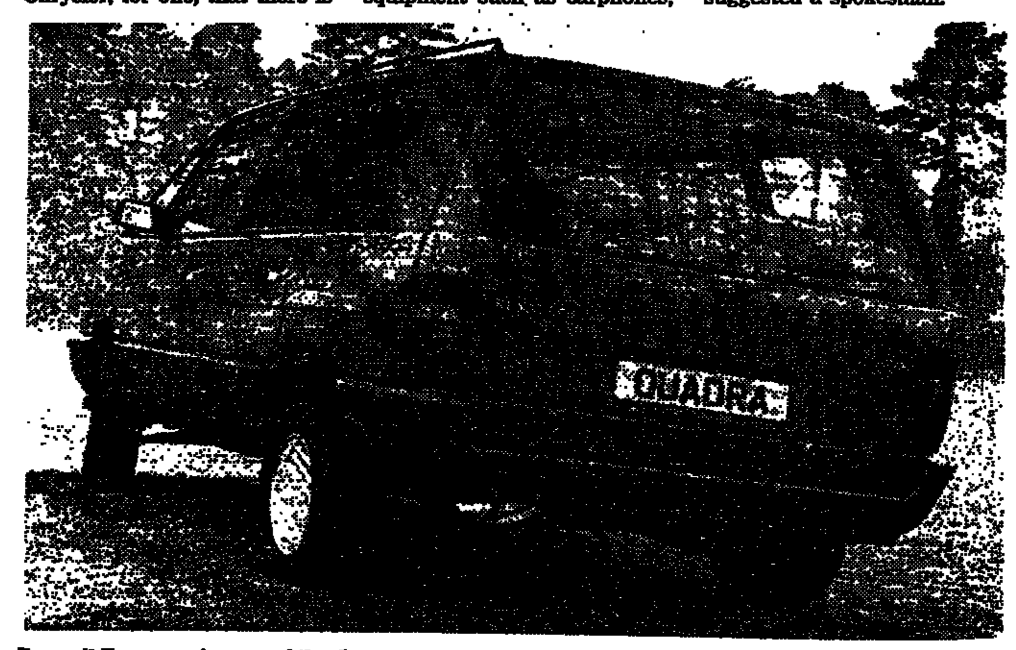
Such is GM's own confidence in the sector that it has installed capacity to build 250,000 units a year. Much of the vehicles' use is dedicated to family transport and leisure.

However, most of the vehicles have been designed to drive and handle like cars rather than vans, and in North America business-related equipment such as carphones, faxes and even TV and video have become increasingly popular fitments.

The extent to which Europeans might accept such vehicles as versatile alternatives to the conventional executive car is unlikely to become clear until a wider variety of European-produced vehicles become available. Some Ford executives, however, have already described them as the "family car of the future".

Some companies at the heart of the business car sector for the moment remain sceptical. Hertz Leasing, for example, which operates in several European countries, claims to have only "a handful" of such vehicles on its fleets.

"Executive car drivers are interested in what image their car projects, what it looks and goes like and whether they can get their golf clubs in," suggested a spokesman.



Renault Espace: pioneer of the "people carrier" market in Europe

Daniel Ward investigates the environmental issues

Clean campaign is accelerating

THE success of the environmental lobby is such that the question is no longer "Is the motor car dirty?"; the debate has firmly shifted to determining just how clean the car can be made with present technology. Company car drivers have a significant role to play in reducing pollution from road transport. They buy half the new cars sold in Britain and contribute about one fifth of all pollution from exhaust fumes.

In London, vehicles produce 80 per cent of the airborne pollution, and across Britain cars produce 80 per cent of the 4.5m tonnes of toxic carbon monoxide produced annually, about 50 per cent of the nitrogen oxides, and a significant proportion of the airborne hydrocarbon. And cars also generate carbon dioxide which is not toxic but attacks the ozone layer so contributing substantially to global warming. Carbon dioxide emissions are directly related to fuel consumption.

The use of unleaded petrol is now largely taken for granted by drivers of newer cars. It is more than 10p a gallon cheaper than four star and since last October all new cars had to be capable of running on unleaded. Seventy per cent of the 21m cars on British roads can run on unleaded fuel.

The next item on the environmental agenda is the catalytic converter. Fitted into the normal exhaust system, it reduces the emissions of harmful gases by 90 per cent. Volkswagen tested a catalyst-equipped 1.6 litre Golf with a non-catalyst sister car over 13,000 miles. It revealed that the catalyst reduced emissions of carbon monoxide from 999lb to 30, hydrocarbons from 781lb to 7, and nitrogen oxide from 50lb to 8.

The converter represents technology that has been proven in North America for more than a decade. By the start of 1993 EC legislation will almost certainly make catalytic converters mandatory on all cars. Cars with engines up to 1.4 litre will be the last to adopt catalysts.

The success of catalysts is best illustrated in America where they were first used in 1977 and became mandatory on new cars from 1981. In spite of a rise in the number of cars on US roads and an increase in the total number of miles, pollution, particularly from carbon dioxide, has reduced since 1975. A recurrent argument against converters has been that they rely on noble metals – palladium, platinum and rhodium – and therefore global resources of these rare metals is being depleted. Because they provide only a thin coating on the honeycomb structure within the converter, only a few grammes of the noble metals account are needed and eventually will be recoverable.

In five years the catalyst will hardly warrant a mention; today it conjures up images of the car being strangled by the environmental lobby. The reality is a little different.

Cars account for 80 per cent of the 4.5m tonnes of toxic carbon monoxide produced annually in the UK

No matter how efficiently the catalyst is designed it creates some back pressure in the exhaust system. Also, the engine's air/fuel mixture cannot be optimised so inevitably engine power is reduced and fuel economy deteriorates.

Porsche is unusual in claiming identical power outputs for catalyst and non-catalyst cars. The new Rover 214 provides a more typical guide to the effect of the converter. Engine power is reduced from 95 to 92bhp. Zero to 60mph acceleration takes 0.4 sec longer and top speed is reduced 1mph to 105mph.

According to the official fuel economy figures for the Rover, urban economy is improved by 0.5mpg and it is 0.7mpg and 1.6mpg worse at 56 and 75mph respectively. In 1989, Rover conducted a 20,000-mile test of various models to compare fuel consumption of unleaded and leaded versions. For the Metro automatic, Montego and Rover 820 models there was no difference. The unleaded 1.3 Metro with a manual transmission used marginally more fuel but the difference was confined to 3.9 per cent. Despite this the take-up of catalysts is low. Volvo offers them at no additional cost but only about one in 10 customers opts for one.

By selling only catalyst-equipped cars since last September, Audi has defeated the debate about any loss of performance of "clean" cars. There are no longer any sister models in the range for comparison.

"Cat" cars cannot be run on leaded petrol because the lead will "poison" the noble metals. An Audi spokesman explains: "Our cars are fitted with a narrow filler nozzle to prevent mis-fuelling. If the owner uses no more than one tankful of leaded fuel, the catalyst will almost certainly be able to recover."

The Hertz report, "The green effect on company cars", advises: "Some garages are still using the old mixer pumps, originally meant for 2- and 4- star petrol, so caution is recommended. However, this is only allowed under a dispensation by the Department of Transport and the position is under review."

Even for the owners who understand how a catalytic converter and the associated electronics work, there remains the question of how it will affect servicing and reliability. The news is better than expected.

First, unleaded petrol has a beneficial effect on certain engine components. Hertz quotes a US Environmental Protection Agency report which estimated that unleaded fuel was responsible for a 20 to 30 per cent reduction in spark plug replacement. The life of the exhaust system is also extended.

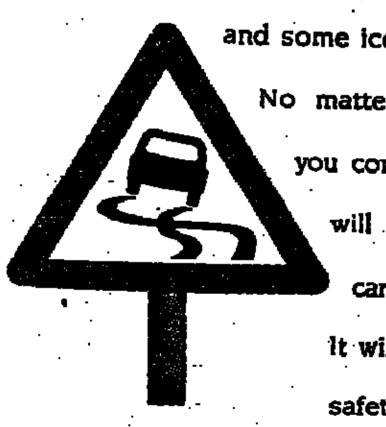
Leaded fuel contained scavenging chemicals needed to remove the lead from the inside of the engine; however, they formed nasty acids which corroded the exhaust. The other effects of the acids was to pollute and degrade the engine oil. Hertz quotes: "The EPA concluded the preponderance of evidence indicated that using unleaded gasoline decreases oil contamination, engine wear, and rust even with a double oil change interval." Once manufacturers can be sure owners use exclusively unleaded fuel, oil change intervals can be extended.

There appear to be no hidden problems when servicing catalyst cars as no additional work is required. Audi only advises owners not to tow start vehicles with a flat battery because unburnt petrol could result in a very high temperature being generated in the converter when the car eventually starts.

The influence of a catalyst on second-hand prices is hard to judge; however, it is reasonable to argue that in two or three years catalysts will be sufficiently well accepted that "green" second-hand buyers may reject non-"cat" cars.

** Hertz report 1990 "The Green effect on company cars" – free to fleet operators. Available from Hertz Leasing and Fleet management, £75.*

Even more extraordinary than the appearance of this multi-limbed alien is the cleverness of its brain. And that is exceeded only by the nastiness of the world it creates. Imagine some never-to-be-wished motoring nightmare. A blown tyre on a B-road and an oncoming truck, perhaps. Why not throw in a sharp bend, a touch too much speed, and some ice?



SIMULATOR DUPLICATES TREACHEROUS ROAD CONDITIONS.

No matter how chilling the scenario you conjure up, this driving simulator will have taken Mercedes-Benz cars and engineers there already. It will have helped to ensure that safety elements built into every Mercedes-Benz – whether they're braking, powertrain, steering or suspension systems – are as effectively designed as it is possible to make them.

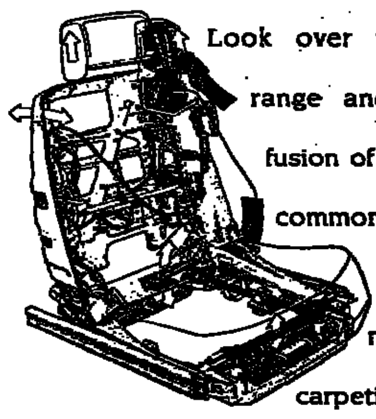
Within the high-tech confines of this unique Mercedes-Benz research tool, the entire world of driving experience can be reproduced.

Every driving sensation, every road condition, every conceivable traffic and climatic hazard is on tap. (It is possible, for example, to generate enormous simulated lateral acceleration, the sort of cornering stress that only expert drivers can draw from the world's most exotic production sports cars.)

And the benefits to be reaped from such research – be it the design of a Mercedes-Benz seat or direction indicator, a rear suspension linkage or foot pedal – are all the more conclusive for the exceptional realism of the simulator testing.

Luxury Sits Easily With Safety

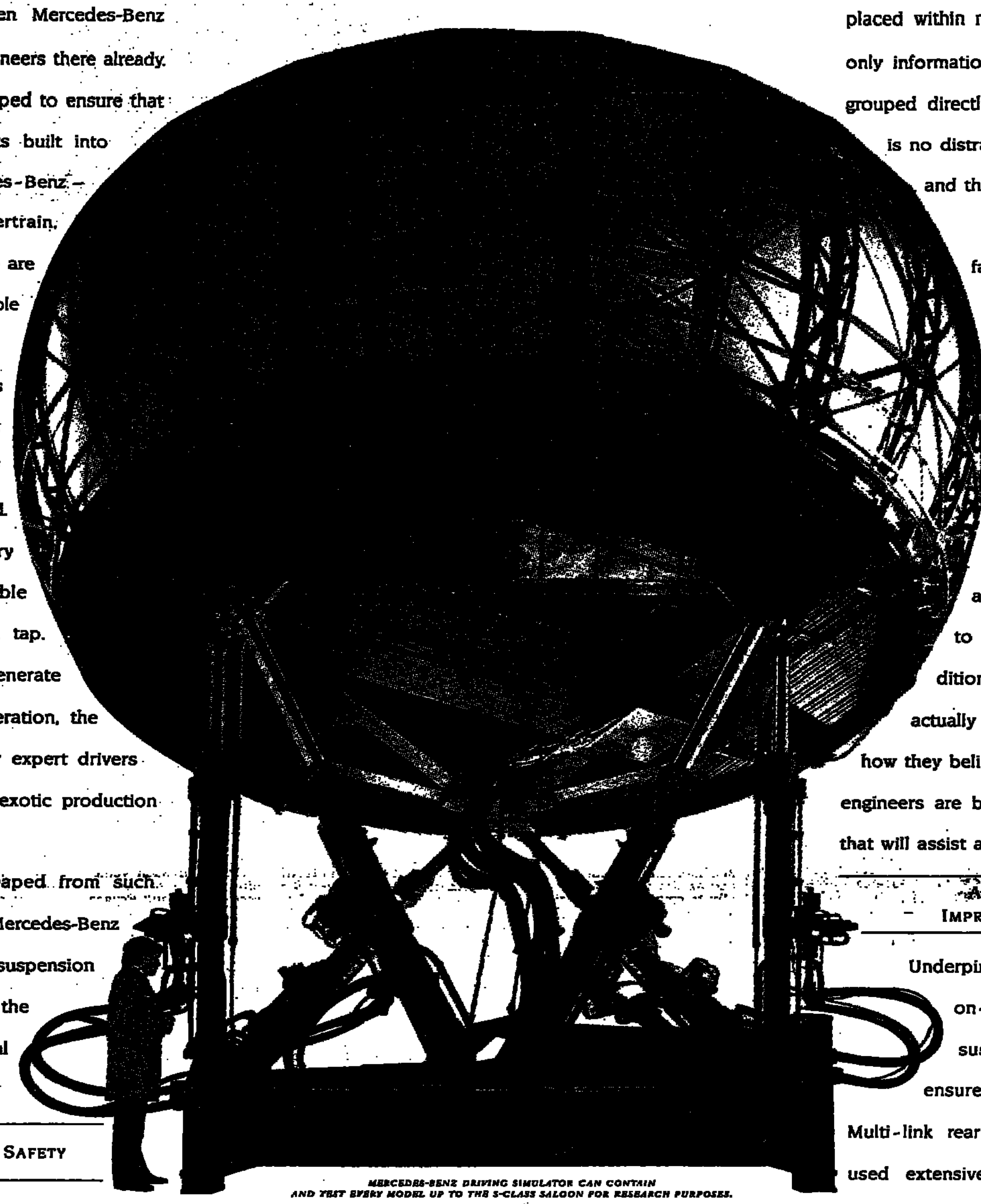
But never suppose there is no room in the heart of a Mercedes-Benz designer (or driving simulator) for life's little comforts.



NEW MAGNESIUM SL SEAT FRAME MARRIES PROTECTIVE STRENGTH AND COMFORT.

Look over the current Mercedes-Benz range and you'll discover a careful fusion of the rational and aesthetic: the common sense of a flawless driving position, the warmth of new, more luxurious fabrics and carpeting; the support and comfort of redesigned seats that are yielding yet firm enough to inhibit tiredness on long journeys.

And, as the car's aerodynamic efficiency lets it cleave the air in near silence, and as the rubber bushing of the subframes and the generosity of the insulation so effectively isolate the interior from mechanical vibration and road noise, yet another priority becomes apparent. Mercedes-Benz engineers discovered long ago that what you don't experience in a car is just as important as what you do.

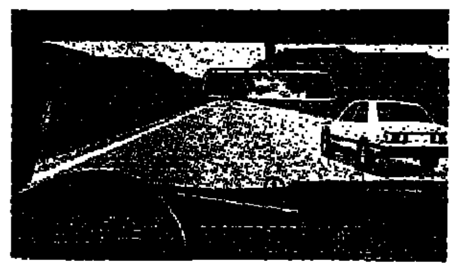


MERCEDES-BENZ DRIVING SIMULATOR CAN CONTAIN AND TEST EVERY MODEL UP TO THE S-CLASS SALOON FOR RESEARCH PURPOSES.

The world according to Mercedes-Benz

Ergonomically Ideal Controls And Instruments

Never has a Mercedes-Benz driver been more ably assisted by the crisp logic of the instrument panel and control layout than he is today. Both are models of clarity, perfected in the crucible of the driving simulator; every important control is placed within natural and instantaneous reach, and only information that is crucial to driving safety is grouped directly in the driver's field of view. There is no distracting gimmickry, no digital nonsense, and there are no pseudo-electronics.



SIMULATOR CREATES REALISTIC DRIVING ENVIRONMENT.

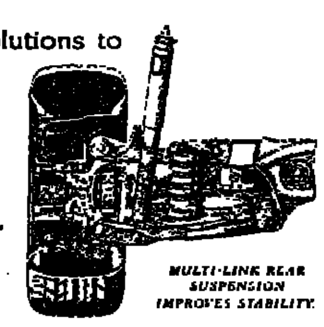
Once in the driver's seat, your hands fall onto an ergonomically satisfying steering wheel. And on the move, the power-steering assistance varies subtly to complement your own inputs at all speeds, and to ensure maximum feedback sensitivity – precision without exertion – another vital safety and comfort bonus. Yet another bonus is the simulator's ability to test driver reaction to stressful conditions. By learning how human beings actually react in emergencies, as opposed to how they believe they would react, Mercedes-Benz engineers are better placed to design car controls that will assist accident avoidance.

Advanced Suspension Improves Handling Finesse

Underpinning the assured and reassuring on-road behaviour of all models, are suspension systems engineered to ensure maximum tyre contact and grip. Multi-link rear suspension, for instance, is now used extensively. This Mercedes-Benz invention disciplines self-steering and toe-in tendencies that the rear wheels of all cars are prone to under extreme conditions.

The independently located damper and spring arrangement of the wishbone-mounted front suspension combines the compliant, accommodating ride of long-travel coil springs with the control that dampers anchored close to the wheel-hubs provides. Such optimised front and rear suspension design assures the driver of enviably safe and neutral handling and exceptional comfort at all times.

In the motor industry, no less than in other fields, the search for the best solutions to universal problems is a painstaking business.

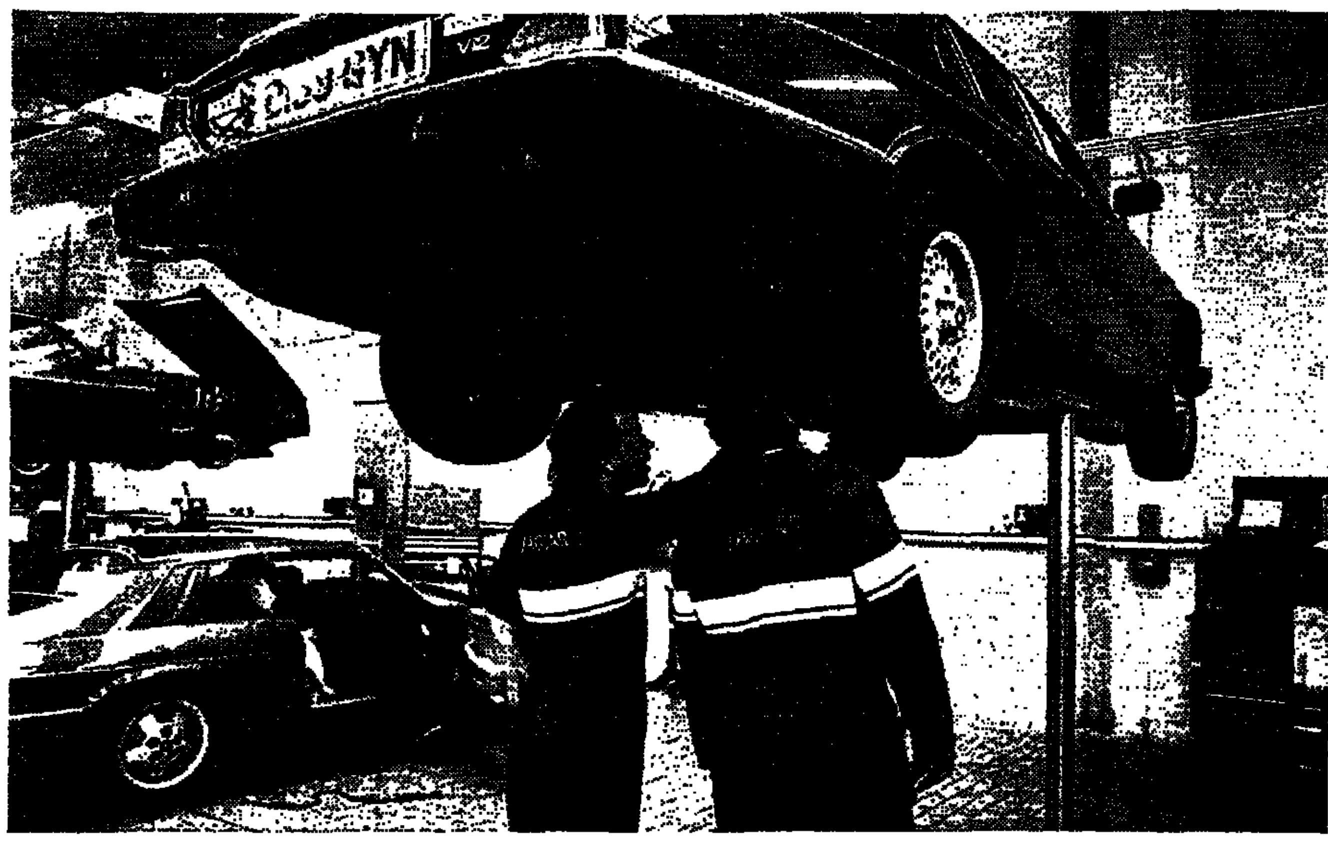


MULTI-LINK REAR SUSPENSION IMPROVES STABILITY.

Making the driver's environment as safe and comfortable as it is stimulating, is an ideal that Mercedes-Benz engineers continue to try to perfect as they re-enter, again and again, the unique world of their driving simulator in search of answers that only it is equipped to give.

Engineered Like No Other Car In The World.

RJA 16157



Jaguar service: no option but to meet the standards the buying public requires

Mamta Kapoor

Martin Derrick investigates standards of customer care

Service with more than a smile

AT THE beginning of June, Toyota's all-new executive car goes on sale in the UK for the first time. The Lexus LS400 was conceived at a meeting of top Toyota Motor Corporation management in August 1983, at which chairman Eiji Toyoda challenged his executives to "build the world's finest luxury performance saloon".

Mr Toyoda then provided his employees with a philosophy that should manifest itself in every facet of the design and manufacture of the LS400: "To be the best in the world, you must develop a commitment to detail because a total car can never be more than the sum of its parts."

No doubt the market will decide for itself whether the Lexus really is a finer car than the Mercedes-Benz S-Class, the BMW 7-Series or the Jaguar XJ6. But it would be a mistake to dismiss out of hand Mr Toyoda's very Japanese and, in a sense, very self-evident and simplistic gospel.

Because there is more to high standards than merely high performance, or high levels of comfort, or high levels of perceived prestige.

In the case of the £34,250 customer of the Lexus – or, indeed, the case of anyone else spending that sort of money on a motor car – there is also the matter of how he or she is treated at the dealership and, most importantly of all, how he or she is treated in the after-sales arena.

And because both Toyota and Toyota GB are insisting on standards of customer care that go far beyond those expected in most franchises, Lexus is subject to a completely new dealer franchise agreement and will be sold only by a small number of selected existing Toyota dealerships, chosen on the basis of location, facilities and operational standards as well as sales performance and model mix.

Between them, Toyota GB and its 41 Lexus dealers have invested £6m so far in upgrading "every facet of the business". The investment covers personnel, management, systems, extensive training and facilities.

Once a customer has bought a Lexus, "regular but not intrusive customer follow-up" should ensure the owner enjoys total satisfaction, says Toyota GB. Owners will be able to see their car being serviced and may visit the service area. Lexus technicians will always be available to discuss the customer's vehicle.

An appropriate courtesy vehicle will be at the disposable of the Lexus owner and home or office collection and delivery of vehicles requiring service will be available.

According to Toyota director Mike Copeland, dealers are going to have to make a tremendous effort to live up to expectations. And the financial cost will be high, too: "There is a lot of investment involved in truly raising standards. I don't expect any Lexus dealer to make money in the first year."

The ideas embodied in the Lexus franchise are neither new nor unique; though what might be seen as unique is if Toyota, with its brand-new franchise within a franchise, succeeds in enforcing these proposed standards right across the network at all times.

Other executive and luxury car dealers – whether it is Porsche, BMW, Mercedes-Benz or Jaguar – offer similar levels of customer service. But it would be a brave person who claimed that those high standards were maintained by all dealers at all times.

"We recognise that there is a great deal of competition – not just in the motor industry, but in retailing generally. We have no option but to meet the standards and the levels of service that the buying public requires," said John Smith, chief executive of the Dutton-Forshaw Group.

"It is dead easy to update furnishings, put in new facilities and paint the outside of the building, but what is far more important is to invest in areas such as staff training. That is what we are doing. And we are doing things like installing more telephone lines so customers are not frustrated by permanently engaged lines.

"On the systems side we have just piloted a new marketing-oriented computer at Dutton-Forshaw Maidstone which is going to dramatically improve customer care standards. Not only does it provide reminders when service is due but improves communications all round; because it holds a database of the history of each customer's car, there is no longer any need to queue up at 8 o'clock in the morning to book cars in – all the customer has to do is give us his registration number and all we need to know can then be brought up on screen."

Loan cars and delivery and collection is available at Dutton-Forshaw's specialist cars division – at Jaguar and Porsche outlets in particular. Though there is a nominal charge for this (except when problems occur during warranty), the charge can be kept low because the garage taking control of collection and delivery and controlling the movement of cars actually helps it to plan its workshop loading more efficiently. "Because this helps us to be more efficient, it absorbs a large element of the costs involved," said Mr Smith.

For the future, he expects an increasing number of loan cars and delivery and collection services to be made available to volume car customers.

But, for the moment, he says: "I don't really know how much further we can go at the specialist end of the market. If you are one of our Jaguar or Porsche customers we will collect your car or loan you one if you prefer to drive it to the garage; we will wash and valet it at every service or repair; and we will return it in perfect mechanical condition. I think that already constitutes very high standards of customer care and service."

Similar standards can also be achieved by individual outlets; this is not something that derives from the economies of scale that a large dealer group can enjoy.

At BMW dealers Coombs of Guildford, sales manager David McDougall says they will collect free of charge as far afield as Gatwick and Heathrow; every car that comes into the workshops is fully valeted at no charge as a matter of course; routine service customers are offered heavily-subsidised car hire – at around 25 per cent of the market rate; while repair customers are offered a free loan car.

Coombs also has slotted into the working day "windows" in the workshop schedules which allow emergency repairs to be carried out immediately: "We do not tell our customers who call in with a problem on a Friday that we can't even look at the car until the following Tuesday," said Mr McDougall. "It is not just words here. We really do try – in sales and in aftersales – to genuinely look after our customers, understand their problems and sort them out as quickly and as painlessly as possible."

Lease or buy? Kenneth Gooding examines the arguments

Contract purchase catches on

SIX YEARS ago contract purchase of company cars – which the fleet management service companies suggest is particularly suitable for executive cars – did not exist. Now it accounts for about 4 per cent of the UK company car market.

The system provides an example of how the fleet management groups are ever alert to tailor their services to meet the needs of the moment.

Contract purchase was introduced as car leasing and contract hire were becoming less and less attractive because of UK tax laws which the industry says discriminate against such schemes.

The UK government's original intention was to limit the tax relief available on executive and luxury cars. However, to achieve this laudable objective, in 1979 it insisted that luxury car prices began at £8,000. That led to some argument even then. But the £8,000 limit has not been raised.

The £8,000 rule affects all purchasers of company cars, limiting the 25 per cent writing-down allowance to a maximum of £2,000. The industry claims that cars which are on lease or contract hire suffer a second disallowance because the fleet user's ability to write off the rentals for tax purposes is also restricted.

Mr Norman Donkin, managing director of Lease Plan UK, sums up the industry's view when he says: "The government maintains that a car costing £8,000 is an expensive vehicle. This is nonsense. The average fleet car purchased today costs over £10,000. In 1979 when the limit was last increased, £8,000 would buy a luxury car. But in 1990 this is ridiculous."

The £8,000 limitation makes contract hire or car leasing less attractive as cars become more expensive or when a company is using a large number of expensive cars.

Mr Geoff Cobley, managing director of Fleet Management Services, reckons the average sales representative's car now costs £8,600 after discount, while the average sum paid by companies for a car is between £9,000 and £9,500. "At this level it is more attractive to them to own the cars and claim the capital allowances," he suggests.

Consequently, a growing number of companies with large fleets is giving up contract hire and leasing. Fortunately for the fleet management industry, however, most of their customers do not want to take on the burden of having their own in-house car fleet management departments and are turning to fleet management specialists instead – and to contract purchase.

By far the most popular method used by companies to acquire cars is outright purchase

This is a system where the user buys the vehicle from the supplier and pays the supplier fixed monthly charges for servicing and maintenance for an agreed period and mileage.

The vehicle is on the user's balance sheet and the user is eligible for capital allowances. At the end of the contract the supplier buys back the vehicle at a pre-agreed price. Thus the supplier bears all risks of the disposal value.

As VAT is charged only on the servicing and maintenance and not on funding, contract purchase can be advantageous to companies who are not fully registered for VAT purposes.

In spite of its attractions, however, contract purchase covers only a relatively small number of company car purchases.

By far the most popular method used by companies to acquire cars is outright purchase – but its popularity has waned considerably in recent years. In 1982 outright purchase accounted for 75 per cent of the company car market, according to Lex Vehicle Leasing. By the middle of last year it was down to 51 per cent.

"Many companies which are still financing and running their own car fleets, whatever the size, must look at their policy in current circumstances," says Mr Geoff Becque, a director of Leasecontracts. "With interest rates at their present high levels, it makes little sense for such companies to have large sums of capital locked away in depreciating assets which they usually don't have the skills, expertise and time to manage efficiently."

Mr Becque points out that in recent months residual values of cars have slumped because high interest rates are doing their job and deterring potential used car buyers. Cash prices have not fallen but used vehicle values, when expressed as a percentage of future new prices, are dramatically down.

Mr Becque says this means that, without professional help, the user company is more exposed than before to significant depreciation risks. "It is essential that companies and anyone involved in vehicle acquisition should appreciate what is happening with residual values and be guided by these. They should not base decisions on initial purchase prices alone, no matter what the discounts may be," he adds.

Most of the companies which gave up buying cars outright switched to contract hire. This system involves the user company paying a supplier a fixed monthly rental for the use of a vehicle for a pre-agreed period and mileage.

Charges usually cover all servicing and maintenance costs but exclude insurance and fuel costs. The user company never owns the vehicle, cannot claim capital allowances for it, takes no risks in its residual value and the vehicle never appears on the user's balance sheet.

The user can charge the rental payments directly against profits as a deduction for tax purposes. As previously mentioned, rentals of vehicles with a retail value when new of more than £8,000 are subject to a partial restriction for capital allowance purposes. This operates on a sliding scale, disallowing a part of the financing element of the hire charge according to the amount of the excess of the retail value of the vehicle over £8,000.

Finance leases for company cars were introduced during the 1980s but suffered a set-back after July 1987 when companies were required to record assets acquired by finance leases at net book value on their balance sheets.

Finance leases, as you would expect for something designed originally to keep assets from showing up on the balance sheet, have a complicated structure. When a finance lease is used, the supplier retains ownership and the user pays monthly charges which include capital and interest payments. Although liability in the lease must be noted in the lessee's balance sheet, the supplier claims capital allowances. The user is responsible for all expenses and management.

Stuart Marshall experiences the economies of diesel engines

Friendly to the environment

THE more fossil fuel you burn, the more carbon dioxide is put into the environment. The fact, though not in dispute, has only recently been taken seriously. Until a year or so ago all the emphasis was on ridding the atmosphere of toxic exhaust emissions – the killer gas carbon monoxide, smog-forming oxides of nitrogen and unburned hydrocarbons.

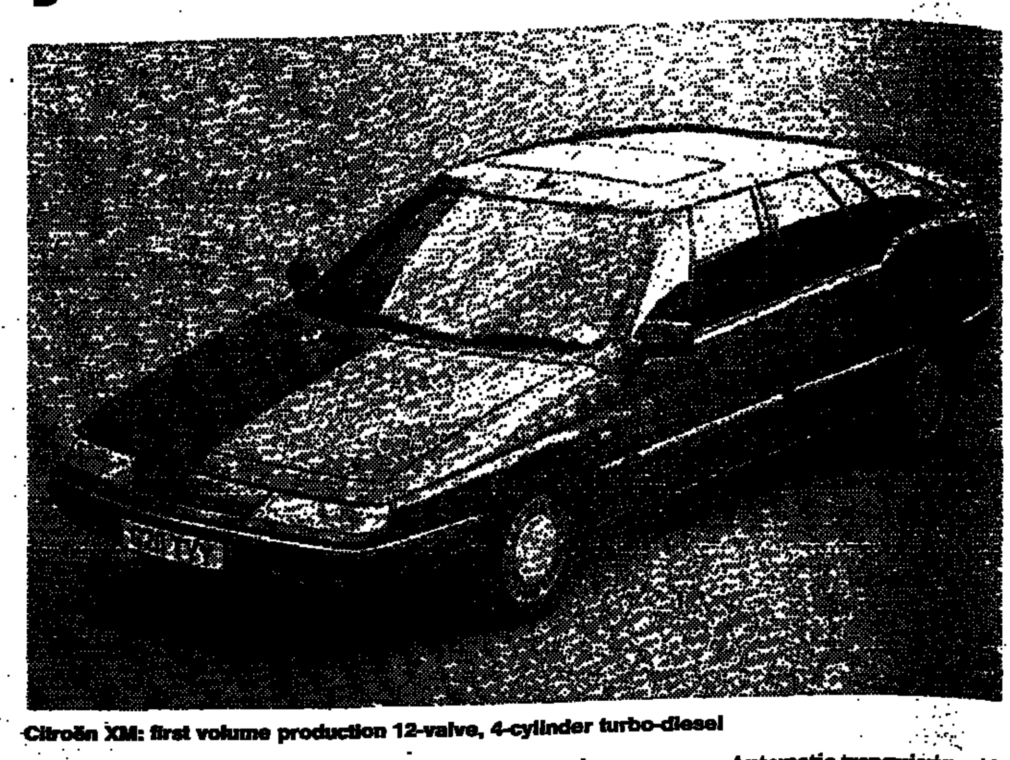
Politicians on both sides of the Atlantic seized upon catalytic converters on car exhausts as the answer to atmospheric pollution. Catalysers efficiently remove most of the toxic elements by converting them into harmless carbon dioxide, nitrogen and water.

Harmless? Carbon dioxide, because it is non-poisonous, was thought to be harmless. Now the tens of millions of tonnes of it that are being pumped into the earth's atmosphere every year – mainly by industry but also by cars – are being blamed for global warming, otherwise known as the greenhouse effect.

Scientific opinion holds that unless CO emissions are reduced, the world climate will become warm enough to melt polar ice caps, raise sea levels and flood large areas of land by the middle of the 21st Century.

What can the environmentally-concerned executive motorist do about it? Obviously, change his car for one that burns less fuel. That means going for a smaller, lighter car with a less powerful engine – or joining the growing ranks of diesel car users. In Britain, the diesel-engined executive car has been slow to gain popularity. At the moment, fewer than six in every 100 cars registered here is a diesel and of that 6 per cent, the great majority are at the lower end of the size and price scale.

The 10 models in the table accounted for 73 per cent of the total British diesel market of 123,300 cars, which was almost double the number sold in the UK only five years ago. Why is the diesel executive car in the £15,000 and over price range not more popular in Britain? The small price differential (about 6p at present) between a gallon of unleaded petrol and diesel has not helped. (In France, where diesel car registrations have recently been running at more than 30 per cent of the total market, fuel is around FFr 1.75 per litre, or 85p a gallon, cheaper than unleaded.)



Citroën XM: first volume production 12-valve, 4-cylinder turbo-diesel

UK's top 10 diesels (1989)	
Citroën BX	15,672
Peugeot 405	12,819
Ford Escort	11,722
Peugeot 205	11,559
Peugeot 309	7,422
Ford Orion	7,378
Vauxhall Astra	6,295
Austin Montego	6,198
Ford Sierra	5,791
Ford Fiesta	4,940

Source: SMMT

Far fewer cars are provided by French companies for senior employees than is the case in the UK. It seems likely that most French businessmen who drive on company business in diesel cars do so to save money rather than the environment, though in fact they are doing both.

The stinking clouds of black smoke trailed by ill-maintained buses and overloaded lorries suggest otherwise, but a modern car diesel is a very clean engine. Cleaner and more environmentally-friendly, in fact, than many petrol engines with an exhaust catalyser, when CO emissions are taken into account.

Partly, this is because a diesel's emissions of carbon monoxide are inherently less than those of a petrol engine. But it is also due to the fact that they burn so much less fuel.

I have run nothing but diesel-engined cars for my own personal transport for more than 10 years. In addition, I have tested many others, often over long distances.

My current choice is a Citroën XM with the world's first volume production 12-valve, 4-cylinder turbo-diesel. It is consistently giving me 44-45 mpg. That is for a mix of town driving in heavy traffic and motorway journeys at the sort of speeds most business drivers maintain.

No petrol-engined car of its size and comfort could approach these figures. True, it has a manual gearbox when most executive motorists prefer automatics.

There is a dearth of two-pedal diesel cars in the UK, mainly because of lack of demand. Most business users do not pay for their petrol. Possibly they feel they are doing all they need to protect the environment by choosing a car with a catalyser that can only run on unleaded petrol. But that does not take account of CO.

Automatic transmission with a diesel engine is at present available only in Mercedes (all models), Vauxhall (the Carlton) and Volvo (740 and 760). Citroën, however, is shortly to re-introduce an automatic version of the BX diesel. It should be warmly welcomed by environmentally-concerned business motorists who do not wish to deprive themselves of the benefits of two-pedal control.

There is a dearth of two-pedal diesel cars in the UK, mainly because of lack of demand

Automatic transmission suits diesel cars, providing their power/weight ratio is adequate. For example, a two-pedal Mercedes 300 diesel carried me to Geneva and back earlier this year speedily and in considerable comfort while returning 33.9 mpg.

Both the Citroën XM and Mercedes 300 make the point that for large car luxury combined with small car economy and environmental friendliness, going diesel is the only practical course at present.

Cellular networks a vital business link, writes Della Bradshaw

Carphones come of age

All APPEARS quiet on the carphone front. No longer are there announcements every week about the latest whizz-bang technology, nor complaints among users of massive congestion on a Friday afternoon in London's West End.

Talk has turned from the carphone to pan-European cellular radio services, telepoint and personal communications networks (PCNs), which promise to be the yuppie's latest toy.

But while fickle yuppies transfer their affections to the latest electronic diary or sports car, the UK's cellular radio networks have quietly been netting business customers – and netting the profits.

The proof is in the pudding. More than 1m subscribers are using the cellular network in the UK: twice the market size predicted when cellular phones were introduced in the early 1980s.

Central to the growth has been a programme of large scale investment by the two cellular telephone operators in the UK, Cellnet and Vodafone – an attempt to eliminate congestion.

Cellnet alone invested £200m in the last year improving its service, and is planning to spend a similar amount this year. Up to 19,000 calls can be made on the Cellnet network at any one time, and the company claims the network will carry 31,000 simultaneous calls by next March.

There has also been a growing maturity in the marketplace, both on the part of the services providers – the companies that sell the phones and bill the customers – and the customers themselves.

The myriad of small service providers which grew up on the back of cellular radio services have mainly been bought out by the bigger players. One estimate puts the current number of service suppliers in the UK at no more than 50.

They have been trying to clean up their image by issuing a code of practice for the contracts they make with customers as well as for the quality of standards to ensure that phones are installed in the best way and that aerials are given the optimum spot on the roof or windscreen.

The big improvement in services occurred in the last year, says Ms Jackie Brooks, product executive of the Federation of Communications Services (FCS), the industry trade body.

The reason for the substantial increase, she says, is that cellular phones have become an essential and relatively inexpensive business tool, carphones these days selling for £400 or less.

All manufacturers of the latest executive cars have carphones listed among the optional extras.

Rolls Royce, for example, favours Motorola equipment while Jaguar prefers Panasonic.

But as demand continues to grow, Ms Brooks' concern is that congestion will not abate.

"In London there are still problems," she says. "The increase in capacity is still being overtaken by the number of people wanting the service."

It is difficult to assess the severity of the congestion. Oftel, the UK telecommunications watchdog, instigated a quality of service monitoring programme for the two operators, but stopped publicising the figures towards the end of last year. At the end of March it announced that for the foreseeable future it would be unable to reinstate the service because the software on the Vodafone network was unable to give the figures in the correct format.

Nevertheless, Oftel reports that it has very few complaints from cellular users about congestion.

Ms Brooks predicts there will be little abatement in the market for cellular telephones in the foreseeable future, even though the more sophisticated pan-European system will be introduced in the second half of 1991 in pockets of high mobile phone demand around Europe, such as London or Paris. "People are aware that it gives them a business edge, and they want that now – they can't afford to wait."

Cellular phones have become an essential and relatively inexpensive business tool

From 1991 subscribers will be able to use one phone whether they are travelling in West Germany, Italy or Scandinavia. The service will be of a higher quality because the service is digital, using the '1's and '0's of computer communications.

PCN networks, which, like cellular radio before them, are being pioneered in the UK, have also been mooted as a challenge to today's cellular networks. But the philosophy behind their introduction is that of the personal communicator – a light-weight hand-held device that will easily fit into a pocket or handbag. As a result, they are a threat to hand portable phones, not in-car models.

In-car Cellphone: netting the profits

Telepoint too has its critics as a serious business tool. Often described as the "poor man's cellular phone," the telepoint phone can make calls using public base units – in railway stations, say – but cannot receive calls.

On the technology front, too, cellular phones are going through a period of consolidation rather than innovation.

All phones on the market have the option of "hands free" use, says Cellnet, which means a driver can conduct a phone call without taking his or her hands off the steering wheel – now a Highway Code requirement.

Voice recognition phones, which will dial a phone number when instructed to do so by the driver, are no longer a fad, with companies such as NEC producing such phones.

The mobile office is a more interesting market, featuring the transmission of computer data back to the office over the network, or via facsimile machines which send or receive messages. The more established of the two is the data market, and several companies are using portable computers with radio modems to send data – such as sales information – back to their headquarters.

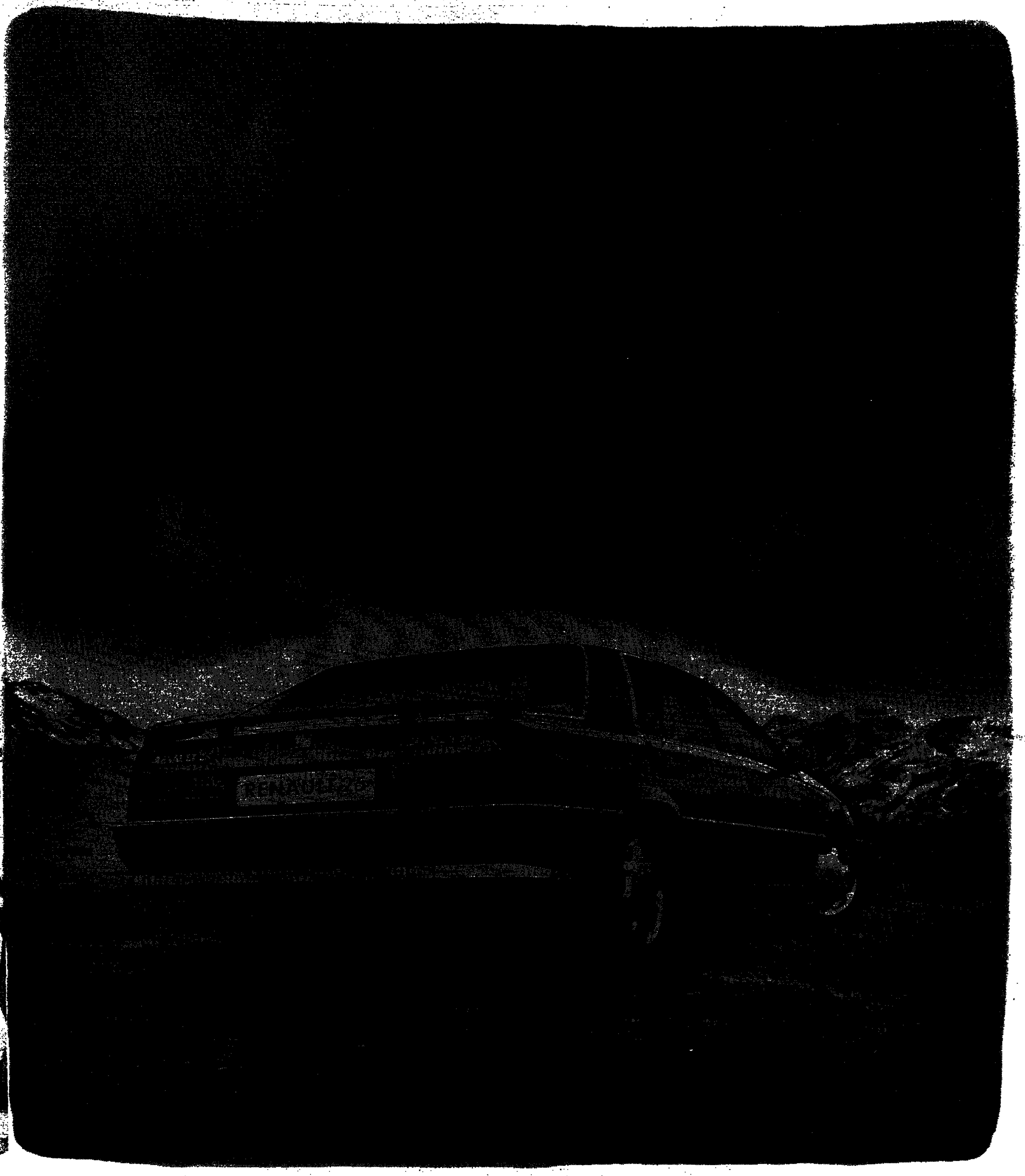
A more recent market is for cellular fax machines – again similar to office faxes, but incorporating a modem with translates the data into a format so that it can be sent across the cellular network.

Mobile fax machines are being sold by companies such as Astec, in Cheltenham, Excell, in Manchester, and Siemens.

The problem with them is the time it takes to send a message, as the data is transmitted at a rate of 4,800 bits of information per second.

An A4 sheet, therefore, could take between 40 and 50 seconds.

A disadvantage is that the recipient could be waiting quite a while for lengthy documents because the car needs to be stationary for the transmission to take place.



While there are plenty of people striving to arrive, a few will make a departure.

Conventional wisdom says you can't have a high performance luxury car below the 2 litre "break-point".

The 140 bhp Renault 25 TXI begs to differ. To achieve this we simply redesigned the engine.

We increased the number of valves (to three per cylinder) thereby increasing the power.

And as three valves per cylinder produces a higher torque than the more conventional two or four, expect a smooth acceleration with 0-62 in just 9.5 seconds. As fast as a 2.5 litre 6 cylinder fuel injected BMW. And what if you didn't want a manual gearbox, would you automatically expect to lose performance?

Not so. The TXI automatic has a new 4-speed gearbox.

Its electronically controlled hydraulic transmission ensures the optimum fuel efficiency and improves power response when you put your foot down.

At the touch of a button performance and economy modes let you decide just how fast or frugal you make your departure.

But if you think this is just a fast car stop right there.

Bosch ABS anti-lock brakes are fitted as standard (stopping you faster and safer). While Anti-plunge prevents the car from diving under hard braking (reducing stress on the car and the driver).

And the cost of all this technology?

Only £16,995*. After all nobody ever made a fortune by spending one.

THERE'S MORE TO LIFE WITH RENAULT

The new range is priced from £13,335 for the GTS to £23,860 for the Baccara V6 2.9i Automatic. All models can run on unleaded fuel. See your local Renault dealer or ring 0800 525150 (24 hours free) for a brochure. The 12 month unlimited mileage warranty includes free RAC membership. All Renault cars have a 6-year anti-corrosion warranty.
*DELIVERY AND NUMBER PLATES EXTRA. Prices correct at time of going to press include VAT and Car Tax. RENAULT recommend elf lubricants.

Stuart Marshall road-tests the latest models

Permanent all-wheel drive newcomer

O of the biggest events in luxury executive car mar- in the past year have been arrival of the Audi V8 and ota Lexus LS400.

he Audi brings permanent wheel drive in combination automatic transmission to segment for the first time. Lexus proves that the Jap- se, having mastered the ufacture of small cars, on- oad four-wheel drives and, t recently, sports cars, can uce a large saloon as good – in some respects better – Europe's best.

exus, powered by a 4-litre, alve V8 looks remarkably the result of a romantic on between a BMW 7-Se- and a Mercedes 420S, h is no coincidence.

is sepulchrally silent hanically, isolates its occu- s from road noise at least ell as a Jaguar and at 100 (161 kmh) on an auto- , keeps wind noise down murmur.

£34,250 it is far cheaper an equivalent BMW, Jag- or Mercedes with an lly lavish specification. All cks is *their charisma* h, like patina on furniture, to be acquired over the .

e Audi V8, though based he 200, has a brand-new e and an interior that l not be out of place in a ional British leather and -veneered luxury car. for that matter, would of the Lexus, which has been designed to grow old fully like a club arm- .

mpared with previous , the V8 has a slightly ride. It handles securely, h, and the quattro trans- on allows full power to be for acceleration almost dless of surface condi- .

san's Lexus equivalent, -litre Infiniti, is not yet urope but the 3-litre V6 na with front-wheel drive e, keenly priced and well ped.

omatic transmission, air- tioning, CD player and r trim are standard in 2,594 SE model. Handling rp, almost sporty, and ngine and 4-speed auto- matic transmission are silky.

Up-market 3-litre V6-engined versions of the Citroën XM offer buyers a choice of two 5-speed manual or 4-speed automatic transmission at the same cost (from £21,104).

The XM's electronically-controlled, self-levelling, oleo-pneumatic suspension matches its characteristics to both driver's mood and road surface. Hard cornering firms it up to stifle body roll; on bad roads it softens to absorb all the bumps.

The big Citroën's running mate, the Peugeot 605, will not be on sale in Britain until late summer. Although it uses most of the same components, suspension excepted, it feels somehow more conventional than the XM.

Renault's 25 has had what must be its final facelift. The latest 2.0 TXi performs more than adequately and has one of the best sound systems in any European car of its price (from £16,995). In its latest guise, the Sierra RS Cosworth with four-wheel drive combines staggering performance (a *150mph/241kmh maximum is* claimed) with flattering ease of control. The engine is a bit rough at high revolutions and so magnificent a performer deserves a better interior.

The Lexus proves that the Japanese can produce a large saloon as good as Europe's best

Giving the Jaguar XJ6 a 4-litre engine has made it everything one expected it to be when it was launched as a new model. Thankfully, the unpopular electronic instrumentation has been discarded. For sheer ambience, there is nothing quite like a Jaguar, unless it be a Bentley at nearly twice the price.

Although it is a veteran and due for replacement next Spring, the S-Class Mercedes still represents a benchmark for luxury executive saloons. Few cars are more comfortable and confidence-inspiring on a long, transcontinental journey. Sportier variants of the 300 saloon and coupé with 24-valve engines and firmer suspensions have lost none of their urbanity.

The Saab 9000, with a new 2.3 litre 4-cylinder engine, impresses as a performer with a touch of character.

A number of medium-sized and priced executive saloons have become available with full-time four-wheel drive which has substantial handling and therefore safety benefits, especially on wet roads. They include a fuel injected Citroën BX, Mitsubishi Galant (which also has four-wheel steering operative at higher speeds), Peugeot 405 and Subaru Legacy (with automatic transmission or manual gears).

BMW's £60,000-plus 850i successor to the 6 Series coupés does not arrive until the autumn. Recent additions to the BMW range are 1.8-litre Lux versions of the 3 Series. They are targeted at younger executives who feel hot hatchbacks no longer reflect their status but who still seek briskly enjoyable business motoring.

The VW Passat is now edging into the lower reaches of the Audi price range. It looks rather sober but is very well built and a worthy car in every way. Why can I not be more enthusiastic about it?

As a lower priced alternative for Audi 80, 2-litre VW Passat, BMW 3 Series and even Mercedes 190 users is Lancia's Dedra. The 2.0 SE at £15,600 is a vivid performer, firmly though not uncomfortably sprung and well equipped.

Rover's new 200 series hatchbacks and 400 series saloons are based on the Honda Concerto but most of them have Rover's own excellent K-series, 16-valve, 1.4 litre engine. Compact in size, they provide everything an executive motorist might reasonably need except power steering which is, inexplicably, an optional extra.

Vauxhall's Cavalier range, deservedly successful in the past year, is about to be joined by the elegant Calibra coupé version. This could have been tailor-made for executives for whom two doors are enough and who are still mourning the passing of the Ford Capri.

John Griffiths sneaks a look at plans for the future

Showrooms of tomorrow

THE NUMBER and variety of new models reaching dealer showrooms each year continues to increase, driven by intensifying competition and enabled by ever more flexible design, engineering and manufacturing facilities.

Japanese manufacturers have led the way in reducing the time needed to take a car from first concept to production to three years.

They have also been largely responsible for increasing the variety of vehicles, splitting the marketplace into more niches than European or North American producers have been accustomed to in the past.

Western producers, particularly those in the executive car sector, are by no means convinced that buyers necessarily want such rapid change – a too-obvious obsolescence is seen as being not good for resale values. Nevertheless, they are responding to these market pressures, and at an increasingly rapid rate.

The consequence of both trends is that annual introductions of new or revised models, or new variations of existing models, are measured by the dozens rather than by the handful.

Manufacturers remain reluctant to talk too much about their upcoming models for the obvious reason that they do not wish to prejudice sales of their present cars. Nevertheless, it is possible to give a broad outline of what most manufacturers have in the pipeline. They include:

Alfa Romeo

First examples of the exotic, 3-litre SZ coupé are starting to be delivered. But they are of little interest to sporting-inclined executive car users because only 1,000 are being built. Also now reaching buyers are facelifted versions of the 33 hatchback, including a 16-valve high performance model, and an updated version of the Spider sports car, which dates from the 1960s. However, drivers will have to wait some weeks yet for the Green Cloverleaf, 210bhp version of the 164 executive saloon. Expected in 1992 is a replacement for the Fiat subsidiary's medium-sized sports saloon, the 75. Under the skin the new car will share its body structure with the Fiat Tempra and Lancia Dedra.

Audi

Widely available on the Continent for some time, the "flagship" V8 model is just going on sale in the UK. There is widespread speculation that the replacement for the "100" range of executive saloons will arrive early next year.

BMW

By the end of next year, the Munich-based executive carmaker is expected to complete the replacement cycle for its range of cars which began in late 1986 with its largest, 7-series models. Completion will come with the launch of a new generation of 3-Series cars, the smallest vehicles it produces and BMW's biggest sellers. Meanwhile the 850i, BMW's purpose-built coupé using a 5-litre V12 engine, is finally about to go on sale in the UK having made its debut in other markets in September.

Annual introductions of new or revised models are measured by dozens rather than the handful

Citroën

Now just over a year old, Citroën's XM range of executive cars is being widened by the introduction of a high-performance version using a 24-valve development of the range's largest, 3-litre V6 engine. An estate version, likely to sound the death knell for the long-lived – and still in production – CX estate models, is expected to follow next year.

Fiat

The launch is imminent of a catalyst-equipped version of the Tipo 16V, the 136bhp flagship of the Italian maker's lower-medium hatchback range which is seeking a share of the young executive "fast hatchback" market. Also expected shortly is a restyled version of the Croma, Fiat's mainstream executive saloon. Its all-new Tempra saloons and estate cars, which share the same basic body platform as the Tipo, were launched at the Geneva motor show in February and will start arriving in the UK in mid-summer. A four-wheel-drive variant is expected next year.

Ford

With its market share under pressure in Europe and no successor to the Sierra in sight until 1992, Ford is anxious to improve its fortunes in other key areas of the market. Hence the belated launch of a booted version of its Scorpio/Granada large cars, some five years after the hitherto hatchback-only range made its debut.Ford concedes that by being offered in hatchback-only form, the Scorpio/Granada was excluded from about 60 per cent of potential sales in its sector. A high-performance, 24-valve version of the 2.9-litre model may be added to the range next year. The Escort range is also due to be replaced by the end of this year. High-specification cars, said to include a 2-litre, 150mph Cosworth model, are expected to extend into executive sector price ranges.

Honda

In just over two years' time, the first cars are due to start coming off the line at Honda's production facility on a 360-acre site at Swindon. The cars will be badged as Hondas and Rovers, although precisely what market segment they will be aimed at remains unknown. Most speculation centres on them being, for Rover, an upmarket replacement for the Montego range, in line with Rover's strategy to concentrate on premium models. Next year Honda is expected to launch its mid-engined, aluminium-bodied NS-X two-seater, pitched against manufacturers such as Porsche.

Jaguar

Taken over by Ford at the end of last year, Jaguar is still officially on course to launch a facelifted XJ-S coupé next year and the exotic, £300,000-plus XJ220 "supercar" about a year later.

Jaguar will concentrate on a saloon, to complement its XJ6 saloons and XJ-S coupes, as a means of raising production from 50,000 units a year to the 200,000 Ford sees as necessary to make an adequate return on its investment in Jaguar. As some consolation to Jaguar sports car enthusiasts, Ford does not rule out the development of a sports car off the smaller saloon floor platform.

Mercedes

With a 24-valve version of its 300 saloon and coupé recently launched, together with the new SL sports cars, the next milestone for the West German makers is the replacement for the nearly 11-year-old S-class cars, Mercedes' largest. While no official launch date has been given, "spy" photographs indicate a state of development likely to lead to production within two years.

Nissan

Its previously staid image already transformed by its 200SX and 300ZX coupé models in the performance car sector, and the latest version of its "people carrier", the Prairie, Nissan is shortly to go seriously on the offensive in the mainstream fleet sector with its Primera. This upper-medium sized saloon is pitched squarely at the Sierra/Cavalier market, and in its higher-specification guises will fit also into the lower end of the executive car market. Some 100,000 units a year are due to be produced at Nissan's Sunderland facility in the UK, replacing the elderly Bluebird range which has failed seriously to penetrate the business car market. First Primera sales will take place in the autumn.

Opel/Vauxhall

With its Vectra/Cavalier range now spearheading a recovery in Europe, GM's European cars subsidiaries are now turning their attention to the burgeoning executive coupé market. Their competitor in the sector, the Calibra, is about to go on sale throughout Europe, with a four-wheel-drive version due in the autumn.

GM's European subsidiaries are now looking at the burgeoning executive coupé market

Rover

Coupé versions of its recently-launched 200 and 400 lower-medium cars,produced jointly with Honda, will be on sale by the end of this year. By 1992, Rover expects to have a new upper-medium sector contender, yet to be named, which will be built by Honda at Swindon. Shortly afterwards, the first of the executive cars to replace the Rover 800/Sterling will be due. Rover executives say the range to be offered will be much wider than the present models, covering saloons, coupés, hatchbacks, convertibles and possibly other variants. Rover is also considering whether to put a new sports car, using the MG badge, into production.

Peugeot

The French group's highly successful, Sochaux-built executive car, the 605, is on sale throughout Europe with the exception of the UK. However, this will be redressed by the start of sales in September. Peugeot is hoping to at least match the UK sales of the XM produced by sister company Citroën, of around 9,000 units a year.

Porsche

Having launched heavily revised versions of its evergreen 911 sports car, called respectively the Carrera 2 and Carrera 4 (standing for two and four-wheel drive respectively), Porsche is not expected to make substantial further changes until the arrival of a "Series 3" version of its cheapest, 944 model some time next year. *There remain no clues* about completely new replacements for either the 944 or 928 cars, both of which have their origins in the mid-1970s.

Renault

The French group's main executive sector contender,the R25, has just had another facelift, its third. It will also be its last. A completely new car is scheduled for 1992. The project is Renault's own, and is too far down the development path to be affected by Renault's collaboration plans with Volvo.

Saab

the future model plans of the loss-making Swedish car maker may be thrown into the melting pot as a result of its alliance with General Motors. The aim is to increase substantially Saab's 100,000 cars a year output. If the current model programme is followed, however, a replacement for the oldest, 900 range should appear in two years' time, followed by the first rear-wheel-drive Saab, a replacement for the 9000. Further-developed General Motors engines may be used.

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